

## RULE 1100 | INTERPRETATION

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### 1101. Introduction

- (1) Rule 1100 sets out general rules of interpretation that apply to the *Corporation requirements*, and certain specific interpretative provisions.

### 1102. General interpretation

- (1) If the context requires, words in the singular may include the plural and words in the plural may include the singular.
- (2) All times referred to in the *Corporation requirements* are Eastern Standard Time, or Eastern Daylight Savings Time when in effect, unless stated otherwise.
- (3) References to:
  - (i) a *Dealer Member* include its *Approved Persons* and *employees*, if the context is appropriate,
  - (ii) a *Dealer Member's* board of directors include a *Dealer Member's* equivalent governance body for a *Dealer Member* that is not a corporation,
  - (iii) a corporation, as a type of entity to which the *Corporation requirements* apply, includes unincorporated entities if the context is appropriate, and
  - (iv) provinces include all provinces and territories of Canada.
- (4) In the event of any dispute as to the intent or meaning of any provisions within the *Corporation requirements*, the interpretation of the *Board* is final, subject to any appeal procedures that may be available.

### 1103. Delegation by a Dealer Member

- (1) If ~~an~~ *Corporation requirement* requires an *individual* at a *Dealer Member* to perform a function, that *individual* may delegate the tasks or activities involved in performing the function unless the *Corporation requirements* specifically prohibit such delegation.
- (2) An *individual* who delegates tasks or activities cannot delegate the responsibility for the function.

### 1104. Electronic signatures

- (1) Subject to *applicable laws*, a *Dealer Member* may use an electronic or digital signature where a signature is required by *Corporation ~~requirement~~ requirements* for an agreement, contract or transaction between a *Dealer Member* and its clients, *Approved Persons*, the *Corporation*, other *Dealer Members* or any other *person* unless specifically prohibited.

### 1105. Transitional provision

- (1) ~~Any~~The *Corporation ~~Rule or predecessor Rule~~* is the corporation continuing from the amalgamation effective January 1, 2023 of the Investment Industry Regulatory Organization of Canada ~~in effect prior to and~~ the ~~coming into force of these Rules shall remain in full force and effect until such prior Rule has been repealed.~~ Mutual Fund Dealers Association of Canada and as a result, for greater certainty:
  - (i) any reference in these Rules to the Corporation includes the Investment Industry Regulatory Organization of Canada prior to January 1, 2023,

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- (ii) any *person* subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada prior to January 1, 2023 remains subject to the jurisdiction of the *Corporation* in respect of any action or matter that occurred while that *person* was subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada at the time of such action or matter.
  - (iii) any *individual* that was an Approved Person under the Investment Industry Regulatory Organization of Canada requirements immediately prior to January 1, 2023 continues to be an *Approved Person* in respect of these *Rules* if that *individual* has not ceased to be approved by the *Corporation*, and
  - (iv) the provisions of the articles, by-laws, rules, policies and any other instrument or requirement prescribed or adopted by the Investment Industry Regulatory Organization of Canada pursuant to such articles, by-laws, rules or policies, any approval, ruling or order granted or issued by the Investment Industry Regulatory Organization of Canada, in each case while a *person* was subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada will continue to be applicable, whether presently effective or effective at a later date, to that *person* in accordance with their terms and may be enforced by the *Corporation*.
- (2) Any exemption from a ~~Rule of the Corporation~~ ~~Rule or predecessor Rule of~~, including for greater certainty, an exemption granted by the Investment Industry Regulatory Organization of Canada, in effect prior to the coming into effect of these *Rules* shall remain in effect subsequent to the coming into effect of these *Rules*:
- (i) subject to any condition included in the exemption, and
  - (ii) provided that the applicable prior rule of the Corporation ~~Rule or predecessor Rule of the Investment Industry Redulatory Orngaization of Canada~~ on which the exemption is based, substantially continues in these *Rules*.
- (3) The *Corporation* shall continue the regulation of *persons* subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada that was formerly conducted by the Investment Industry Regulatory Organization of Canada, including any enforcement or review proceedings, in accordance with the by-laws, rules and policies of the Investment Industry Regulatory Organization of Canada, and any other instrument or requirement prescribed or adopted by the Investment Industry Regulatory Organization of Canada pursuant to such by-laws, rules or policies, in each case in effect at the time of any action or matter that occurred while that *person* was subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada.
- (4) Each *individual* who on December 31, 2022 was a member of the Hearing Committee of the Investment Industry Regulatory Organization of Canada shall be automatically deemed to be a member of a District Hearing Committee of the *Corporation* as of January 1, 2023 and the term of each such *individual* as a member of a District Hearing Committee of the *Corporation* shall expire on the date that his or her term as a member of the Hearing Committee of the Investment Industry Regulatory Organization of Canada would have expired or at such other time as the Appointments Committee of the *Corporation* shall otherwise determine.

- (5) Any enforcement or review proceedings commenced by the Investment Industry Regulatory Organization of Canada in accordance with its rules prior to January 1, 2023:
- (i) in respect of which a hearing panel has been appointed, shall proceed in accordance with the by-laws, decisions, directions, policies, regulations, rules, rulings and practice and procedure of the Investment Industry Regulatory Organization of Canada in effect and applicable to such enforcement or review proceeding at the time it was commenced and shall continue to be heard by the same hearing panel, and
  - (ii) in respect of which a hearing panel has not been appointed, shall proceed in accordance with the by-laws, decisions, directions, policies, regulations, rules, rulings and practice and procedure of the Investment Industry Regulatory Organization of Canada, in effect and applicable to such enforcement or review proceeding at the time it was commenced, provided that, despite any provision of the by-laws, decisions, directions, policies, regulations, rules, rulings or practice and procedure of the Investment Industry Regulatory Organization of Canada in effect and applicable to such enforcement or review proceeding, these *Rules* shall apply to the appointment of the hearing panel.

**1106. – 1199. Reserved.**

**RULE 1200 | DEFINITIONS**

**1201. Definitions**

- (1) Some terms used throughout the *Corporation requirements* are defined in subsection 1201(2). Additional terms are set out in the *Corporation General By-Law No. 1* and in Form 1. Terms that are used only in a single Rule are defined in that Rule.

Any term not defined in subsection 1201(2), in *Corporation General By-Law No. 1*, in Form 1 or in a specific Rule, which is defined in *securities laws*, has the same meaning as provided for in the *securities laws*.

When a prescribed or adopted policy defines a term that the *Corporation requirements* also defines, the definition contained in the policy prevails to the extent of any inconsistency, when interpreting that policy.

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

“acceptable clearing corporation”	The same meaning as set out in Form 1, General Notes and Definitions.
“acceptable counterparty”	The same meaning as set out in Form 1, General Notes and Definitions.
“acceptable exchange”	The same meaning as set out in Form 1, General Notes and Definitions
“acceptable institutions”	The same meaning as set out in Form 1, General Notes and Definitions.
“acceptable foreign marketplace”	Any entity operating as: (i) an exchange, or a quotation and trade reporting system, or an alternative trading system for securities or <i>derivatives</i> transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation, or (ii) a quotation and trade reporting system, or an alternative trading system for securities or <i>derivatives</i> transactions that is subject to the rules of a self-regulatory organization, which is subject to legislation and oversight by a central or regional government authority in the country of operation.  The legislation or oversight regime must provide for or recognize the exchange’s, or the quotation and trade reporting system’s, or the alternative trading system’s powers of compliance and enforcement over its members or participants.
“acceptable securities locations”	The same meaning as set out in Form 1, General Notes and Definitions.
“actively engaged in the business of the Dealer Member”	Participating in the <i>Dealer Member’s</i> regular business activities, operations or promotion of a <i>Dealer Member’s</i> services. It does not include participating in board or board corporate governance committee meetings or occasional referrals to the <i>Dealer Member</i> that were not solicited on the <i>Dealer Member’s</i> behalf.

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“advertisement”	Any commercials, commentaries and any published materials promoting a <i>Dealer Member’s</i> business, including materials disseminated or made available electronically.
“advisory account”	An account which is subject to a suitability determination where: (i) the client is responsible for all investment decisions but is able to rely on advice given by a <i>Registered Representative</i> , and (ii) the <i>Dealer Member</i> and the <i>Registered Representative</i> are responsible for all advice given.
“advisory capacity”	Providing advice to an issuer in return for <i>remuneration</i> 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 2300.
“applicable laws”	All laws, statutes, ordinances, regulations, rules, orders, judgments, decrees or other regulatory directions, applicable to a <i>Regulated Person</i> or its employees, partners, directors or officers, in the conduct of their business.
“approved investor”	An <i>industry investor</i> (defined in clause 2102(1)) or any other <i>person</i> who requires the approval of the <i>Corporation</i> to invest in a <i>Dealer Member</i> .
“Approved Person”	An <i>individual</i> approved by the <i>Corporation</i> under these Rules to carry out a function for a <i>Dealer Member</i> , namely, the following <i>individuals</i> : (i) <i>Associate Portfolio Manager</i> , (ii) <i>Chief Compliance Officer</i> , (iii) <i>Chief Financial Officer</i> , (iv) <i>Director</i> , (v) <i>Executive</i> , (vi) <i>Investment Representative</i> , (vii) <i>Portfolio Manager</i> , (viii) <i>Registered Representative</i> , (ix) <i>Supervisor</i> , (x) <i>Trader</i> , or (xi) <i>Ultimate Designated Person</i> .
“associate”	The same meaning as set out in General By-law No. 1, section 1.1.
“Associate Portfolio Manager”	An <i>individual</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> under the supervision of a <i>Portfolio Manager</i> .
“beneficial owner”	A <i>person</i> who has <i>beneficial ownership</i> of securities.
“beneficial ownership”	Beneficial ownership of securities includes ownership: (i) of securities by:

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	<p>(a) a corporation, or</p> <p>(b) <i>affiliates</i> of a corporation, that is controlled by a <i>person</i>, or</p> <p>(ii) by a corporation of securities beneficially owned by the <i>affiliates</i> of the corporation.</p>
“Board”	The same meaning as set out in General By-law No. 1, section 1.1.
“bundled order”	Has the same meaning as set out in the Universal Market Integrity Rules.
“business day”	A day other than Saturday, Sunday and any statutory holiday in the relevant <i>District</i> .
“business location”	A location where an activity that requires registration or <i>Corporation</i> approval is carried out by or on behalf of a <i>Dealer Member</i> , and includes a residence if regular and ongoing activity that requires registration or approval is carried out from the residence or if <i>records</i> relating to an activity that requires registration or approval are kept at the residence.
“carrying broker”	A <i>Dealer Member</i> that carries client accounts for another <i>Dealer Member</i> or for a <del>mutual fund dealer</del> <u>Mutual Fund Dealer Member</u> , which includes the clearing and settlement of trades, the maintenance of <i>records</i> of client transactions and accounts, and the custody of client cash and securities, in accordance with the requirements set out in Rule 2400.
“CDS”	CDS Clearing and Depository Services Inc.
“chartered bank”	A bank incorporated under the Bank Act (Canada).
“Chief Compliance Officer”	An <i>individual</i> approved by the <i>Corporation</i> to act as the chief compliance officer of a <i>Dealer Member</i> .
“Chief Financial Officer”	An <i>individual</i> approved by the <i>Corporation</i> to act as the chief financial officer of a <i>Dealer Member</i> .
“clearing day”	Any day <i>CDS</i> or another <i>acceptable clearing corporation</i> is open for business.
“control”	Where used to indicate control of a corporation, means a <i>person</i> who 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 a <i>hearing panel</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> .
“Corporation”	The same meaning as set out in General By-law No. 1, section 1.1.
“Corporation Membership Disclosure Policy”	The policy setting out the Corporation’s Membership disclosure requirements for <i>Dealer Members</i> , as made available on the <i>Corporation’s</i> website.
“Corporation requirements”	Requirements set out within the <i>Corporation’s</i> articles, by-laws and rules, along with all other instruments prescribed or adopted within <i>Corporation’s</i> by-laws and rules, and <i>Corporation</i> rulings, except, for the purposes of these Rules, requirements applicable to <del>mutual fund</del>

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	<del>dealers</del> <u>Mutual Fund Dealer Members</u> and their <i>Approved Persons</i> and <i>employees</i> are to be excluded.
“correspondence”	Any <i>advertisement</i> or business related communication, including any written or electronic communication, prepared for distribution to a single current or prospective client, but not for distribution to multiple clients or the general public.
“Dealer Member”	The same meaning as set out in General By-law No. 1, section 1.1, except, for the purposes of these Rules, <del>mutual fund dealers</del> <u>Mutual Fund Dealer Members</u> are to be excluded.
“Dealer Member related activities”	Acting as a <i>Dealer Member</i> , or carrying on business that is necessary or incidental to being a <i>Dealer Member</i> . The <i>Board</i> may include or exclude any activities from this definition.
“Dealer Member’s auditor”	An auditor on the <i>Corporation</i> approved list of accounting firms chosen by the <i>Dealer Member</i> to be its auditor.
“debt security”	Any security that provides the holder with a legal right, in specified circumstances, to demand payment of the amount owing and includes a debtor-creditor relationship. The term includes securities with short-term maturities or mandatory tender periods such as commercial paper and floating rate notes as well as traditional notes and bonds.
“derivative”	A financial instrument whose value is derived from, and reflects changes in, the price of the underlying product. It is designed to facilitate the transfer and isolation of risk and may be used for both risk transference and investment purposes.
“designated rating organization”	The same meaning as set out in Form 1, General Notes and Definitions.
“designated Supervisor”	A <i>Supervisor</i> that the <i>Dealer Member</i> makes responsible for a supervisory role defined in the <i>Corporation requirements</i> , including a <i>Supervisor</i> responsible for: <ul style="list-style-type: none"> <li>(i) the supervision of <i>futures contracts</i> and <i>futures contract options</i> trading accounts under Part D of Rule 3200,</li> <li>(ii) the supervision of <i>options</i> trading accounts under Part D of Rule 3200,</li> <li>(iii) the supervision of <i>discretionary accounts</i> under Part E of Rule 3200,</li> <li>(iv) the opening of new accounts and the supervision of account activity under Part B of Rule 3900,</li> <li>(v) the supervision of <i>managed accounts</i> under Part G of Rule 3900,</li> <li>(vi) the pre-approval of <i>advertising, sales literature</i> and <i>correspondence</i> under Part A of Rule 3600, and</li> <li>(vii) the supervision of <i>research reports</i> under Part B of Rule 3600.</li> </ul>
“direct electronic access account”	An account which is not subject to suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where: <ul style="list-style-type: none"> <li>(i) the client has been provided with direct electronic access within the meaning of National Instrument 23-103,</li> <li>(ii) the <i>Dealer Member</i> provides no recommendations to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer, and</li> </ul>

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	(iii) the <i>Dealer Member</i> complies with the Universal Market Integrity Rule requirements applicable to the direct electronic access service offering and the requirements of NI 23-103.
“Director”	A member of a <i>Dealer Member’s</i> board of directors or an <i>individual</i> performing similar functions at a <i>Dealer Member</i> that is not a corporation.
“discretionary account”	An account which is subject to the suitability determination and over which the client has given discretionary authority where: <ul style="list-style-type: none"> <li>(i) the <i>Dealer Member</i> has not solicited the discretionary authority,</li> <li>(ii) the discretionary authority is accepted to accommodate a client who is frequently or temporarily unavailable to authorize trades,</li> <li>(iii) the discretionary authority has not been renewed, and</li> <li>(iv) the term of the discretionary authority does not exceed 12 months.</li> </ul>
“District”	The same meaning as set out in General By-law No. 1, section 1.1.
“early warning excess”	This is calculated and has the same meaning as set out in Statement C of Form 1.
“early warning reserve”	This is calculated and has the same meaning as set out in Statement C of Form 1.
“equity security”	An interest, investment or security in a corporation in respect of which the holder has no legal right to demand payment until the corporation or its board of directors has passed a resolution declaring a dividend or other distribution or a winding up of the corporation.
“employee”	An employee or <i>agent</i> of a <i>Dealer Member</i> .
“Enforcement Staff”	<i>Corporation</i> staff who are authorized to conduct enforcement activities on behalf of the <i>Corporation</i> , including conducting <i>investigations</i> and initiating and conducting disciplinary proceedings.
“Executive”	A <i>Dealer Member’s</i> partner, <i>Director</i> or <i>officer</i> who is involved in the <i>Dealer Member’s</i> 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 operating officer or a person acting in a similar capacity who is head of operations, <i>Chief Financial Officer</i> , <i>Chief Compliance Officer</i> , <i>Ultimate Designated Person</i> , member of an executive management committee or any other position that the <i>Dealer Member</i> designates as an Executive position.
“free credit balance”	Free credit balance means: <ul style="list-style-type: none"> <li>(i) for cash and margin accounts, the credit balance less an amount equal to the aggregate of: <ul style="list-style-type: none"> <li>(a) the <i>market value</i> of short positions, and</li> <li>(b) margin required on those short positions, and</li> </ul> </li> <li>(ii) for futures accounts, the credit balance less an amount equal to the aggregate of: <ul style="list-style-type: none"> <li>(a) margin required to carry open <i>futures contracts</i> or <i>futures contract option</i> positions, less</li> <li>(b) any equity in those contracts, plus</li> </ul> </li> </ul>



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	<p>(c) any deficits in those contracts.</p> <p>However, the aggregate amount must not exceed the dollar amount of the credit balance.</p>
“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 futures exchange.
“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 option is granted and any option that has a <i>futures contract</i> as its underlying interest.
“Global Legal Entity Identifier System”	Has the same meaning as set out in the Universal Market Integrity Rules.
“guarantee”	<p>An agreement to be responsible for the liabilities of a <i>person</i> or to provide security for a <i>person</i>; and includes an agreement to:</p> <ul style="list-style-type: none"> <li>(i) purchase an investment, property or services,</li> <li>(ii) to supply funds, property or services, or</li> <li>(iii) to make an investment,</li> </ul> <p>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.</p>
“hearing”	A hearing in connection with a proceeding, proposed proceeding or other matter under the <i>Corporation requirements</i> , other than a <i>prehearing conference</i> (defined in section 8402).
“hearing committee”	A hearing committee of a <i>District</i> appointed under Rule 8300.
“hearing panel”	A panel selected by the <i>National Hearing Officer</i> to conduct a <i>hearing</i> or <i>prehearing conference</i> (defined in section 8402).
“holding company”	<p>Of a corporation means either:</p> <ul style="list-style-type: none"> <li>(i) another corporation that owns : <ul style="list-style-type: none"> <li>(a) more than 50 per cent of each class or series of the voting securities, and</li> <li>(b) more than 50 per cent of each class or series of the participating securities,</li> </ul>                     either directly in the corporation or in the holding company of that corporation,                 </li> </ul> <p>but does not include:</p> <ul style="list-style-type: none"> <li>(ii) an <i>industry investor</i> (defined in clause 2102(1)(i)) that owns the corporation’s securities in the capacity of an <i>industry investor</i>, or</li> <li>(iii) a corporation that the <i>Corporation</i> has ordered is not a holding company of that corporation.</li> </ul>
“individual”	A natural person.
“industry member”	A current or former director, officer, partner or employee of a <i>Member</i> or <i>Regulated Person</i> , or an <i>individual</i> who is otherwise suitable and qualified for appointment to a <i>hearing committee</i> .
“institutional client”	<ul style="list-style-type: none"> <li>(i) An <i>acceptable counterparty</i>,</li> <li>(ii) an <i>acceptable institution</i>,</li> <li>(iii) a <i>regulated entity</i>,</li> </ul>

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	<p>(iv) a registrant under <i>securities law</i>, other than an <i>individual</i> registrant, or</p> <p>(v) a non-<i>individual</i> with total securities under administration or management of more than \$10 million.</p>
“internal controls”	The financial and operational policies and procedures established, maintained and applied by the <i>Dealer Member’s</i> management to provide reasonable assurance of the orderly and efficient conduct of the <i>Dealer Member’s</i> business.
“inter-dealer bond broker”	A <i>person</i> that provides information, trading and communications services for domestic <i>debt securities</i> trading among <i>inter-dealer bond broker clients</i> (defined in section 7302).
“introducing broker”	A <i>Dealer Member</i> or a <del>mutual fund dealer</del> <a href="#">Mutual Fund Dealer Member</a> that introduces its client accounts to one or more <i>carrying brokers</i> , in accordance with the requirements set out in Rule 2400.
“investigation”	The powers of the <i>Corporation</i> to initiate and conduct enforcement investigations as set out in Rule 8100.
“Investment Representative”	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 where that <i>individual</i> deals only in mutual funds.
“IPF” or “Investor Protection Fund”	The same meaning as set out for the term IPF in General By-law No. 1, section 1.1.
“IPF Disclosure Policy”	The policy setting out the <i>Investor Protection Fund’s</i> membership disclosure requirements, as made available on <i>IPF’s</i> website.
“Legal Entity Identifier”	A unique identification code assigned to a <i>person</i> in accordance with standards set by the <i>Global Legal Entity Identifier System</i> .
"Legal Entity Identifier System Regulatory Oversight Committee"	Has the same meaning as set out in the Universal Market Integrity Rules.
“listed security”	Has the same meaning as set out in the Universal Market Integrity Rules.
“managed account”	An account which is subject to a suitability determination where: <ul style="list-style-type: none"> <li>(i) investment decisions are made on a continuing basis by a <i>Portfolio Manager</i> or an <i>Associate Portfolio Manager</i> or a third party hired by the <i>Dealer Member</i>, and</li> <li>(ii) the <i>Dealer Member</i>, or a third party hired by the <i>Dealer Member</i>, and the <i>Portfolio Manager</i> or <i>Associate Portfolio Manager</i> are responsible for all investment decisions made.</li> </ul>
“manipulative and deceptive activities”	Any manipulative or deceptive methods, act or practice in connection with any order or trade on a marketplace, and includes the entry of an order or the execution of a trade that would create or could reasonably be expected to create: <ul style="list-style-type: none"> <li>(i) a false or misleading appearance of trading activity in or interest in the purchase or sale of a security, or</li> <li>(ii) an artificial ask price, bid price or sale price for the security or a related security.</li> </ul>
“Marketplace”	The same meaning as set out in General By-law No. 1, section 1.1.

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“Marketplace Member”	The same meaning as set out in General By-law No. 1, section 1.1.
“market value”	The same meaning as set out in Form 1, General Notes and Definitions.
“Member”	The same meaning as set out in General By-law No. 1, section 1.1.
“Membership”	<i>Corporation</i> membership.
“Monitor”	A <i>person</i> appointed under section 8209 or 8212 to monitor a <i>Regulated Person’s</i> business and affairs and to exercise powers granted by a <i>hearing panel</i> .
“multiple client order”	Has the same meaning as set out in the Universal Market Integrity Rules.
<u>“Mutual Fund Dealer Member”</u>	<u>A <i>Member</i> that is registered as a mutual fund dealer in accordance with securities law and is not also registered as an investment dealer.</u>
“National Hearing Officer”	A <i>person</i> appointed by the <i>Corporation</i> who is responsible for the administration of enforcement and other proceedings under the <i>Corporation requirements</i> and other employees of the <i>Corporation</i> to whom the <i>person</i> delegates the performance of such functions.
“non-client accounts” or “non-client orders”	Accounts or orders in which the <i>Dealer Member</i> or an <i>Approved Person</i> has a direct or indirect interest other than the commission charged.
“officer”	A <i>Dealer Member’s</i> chair or vice-chair of the board of directors, chief executive officer, president, chief administrative officer, <i>Chief Compliance Officer</i> , <i>Chief Financial 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> .
“option”	A <i>derivative</i> contract that: (i) gives the purchaser the right, but not the obligation, to buy or sell an underlying asset at a certain price (exercise price) on or before an agreed upon date, and (ii) imposes on the seller an obligation, if called upon by the purchaser, to buy in the case of puts, or sell in the case of calls, at the exercise price.
“order execution only account”	An account which is not subject to a suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where: (i) the client is solely responsible for making all investment decisions, and (ii) the <i>Dealer Member</i> provides no recommendation to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer.
“Participant”	Has the same meaning as set out in the Universal Market Integrity Rules.
“party”	A party to a proceeding under the <i>Corporation requirements</i> , including <i>Enforcement Staff</i> and <i>Corporation</i> staff.
“person”	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

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	syndicate or an <i>individual's</i> heirs, executors, administrators or other legal representatives.
"Portfolio Manager"	An <i>individual</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> .
"President"	The same meaning as set out in General By-law No. 1, section 1.1.
"public member"	A public member in relation to a <i>hearing committee</i> means: (i) a current or retired member of the law society of a province, other than Québec, who is in good standing at the law society, or (ii) in Québec, a current or retired member of the Barreau du Québec, who is in good standing at the Barreau.
"recognized foreign self-regulatory organization"	A foreign self-regulatory organization which offers reciprocal treatment to Canadian applicants and which has been recognized by the <i>Corporation</i> as such.
"records"	Books, records, client files and information and other documentation, including electronic documents, related to the <i>Investment Dealer Rule Regulated Person's</i> business.
"Region"	The same meaning as set out in General By-law No. 1, section 1.1.
"Regional Council"	The same meaning as set out in General By-law No. 1, section 1.1.
"Registered Representative"	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 where that <i>individual</i> deals only in mutual funds or only with <i>institutional clients</i> .
"regulated entity"	The same meaning as set out in Form 1, General Notes and Definitions.
"Regulated Persons"	The same meaning as set out in General By-law No. 1, section 1.1, except, for the purposes of these Rules, current and former <del>mutual fund dealers</del> <u>Mutual Fund Dealer Members</u> and their current and former representatives are to be excluded.
"related company"	A sole proprietorship, partnership or corporation that is a <i>Dealer Member</i> and is related to another <i>Dealer Member</i> because: (i) it, or its <i>Executives, Directors, officers</i> , shareholders or <i>employees</i> (individually or collectively) have at least a 20% ownership interest in the other <i>Dealer Member</i> , or (ii) the other <i>Dealer Member</i> , or its <i>Executives, Directors, officers</i> , shareholders or <i>employees</i> (individually or collectively) have at least a 20% ownership interest in it, where the ownership interest includes an interest as a partner or shareholder, either directly or indirectly, or an interest through one or more <i>holding companies</i> . 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> .
"remuneration"	Any benefit or consideration, including goods and service, monetary or otherwise that could be provided to or received by a <i>person</i> .

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“repurchase agreement”	An agreement to sell and repurchase securities.
“research report”	Any written or electronic communication for distribution to clients or prospective clients containing an <i>analyst’s</i> recommendation about the purchase, sale or holding of a security, excluding any government <i>debt security</i> or any government guaranteed <i>debt security</i> .
“respondent”	A <i>person</i> who is the subject of a proceeding or settlement under <i>Corporation requirements</i> .
“reverse repurchase agreement”	An agreement to purchase and resell securities.
“retail client”	A client that is not an <i>institutional client</i> .
“risk adjusted capital”	The capital level maintained by a <i>Dealer Member</i> , calculated in accordance with the <i>Corporation requirements</i> set out in Form 1.
<u>“Rules”</u>	<u><a href="#">These Rules made pursuant to General By-law No.1 and any Forms prescribed thereunder.</a></u>
“Rules of Procedure”	The rules of practice and procedure under Rule 8400.
“safekeeping”	The holding of securities by a <i>Dealer Member</i> for a client in accordance with the requirements set out in Part A of Rule 4400.
“sales literature”	Any written or electronic communication for client use which contains a recommendation relating to a security or <i>trading strategy</i> , but does not include: (i) any communication that is an <i>advertisement</i> or <i>correspondence</i> , or (ii) preliminary prospectuses and prospectuses.
“sanction”	A penalty imposed by a <i>hearing panel</i> or a penalty or other measure imposed under a <i>settlement agreement</i> .
“securities laws”	Any laws about trading, distributing, advising or any other related activities in securities, <i>futures contracts</i> , <i>futures contract options</i> or <i>derivatives</i> in Canada enacted by the government of Canada or any province or territory in Canada and all regulations, rules, orders, judgments and other regulatory directions relating to such laws.
“securities regulatory authority”	Any commission or <i>person</i> in Canada, or any province or territory in Canada, authorized to administer <i>securities laws</i> and any <i>person</i> approved, recognized or authorized as an <i>SRO</i> by such commission.
“securities related business”	Any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or exchange contracts (including <i>futures contracts</i> and <i>futures contract options</i> ) for the purposes of <i>securities laws</i> , including for greater certainty, offers and sales pursuant to exemptions under <i>securities laws</i> .
“segregation”	A practice whereby a <i>Dealer Member</i> holds in trust 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> own security holdings.
“settlement agreement”	A written agreement between <i>Corporation</i> staff and a <i>respondent</i> to settle a proceeding or proposed proceeding under Rule 8200.

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“settlement hearing”	A <i>hearing</i> relating to a <i>settlement agreement</i> .
“shared office premises”	Premises a <i>Dealer Member</i> shares with another regulated Canadian financial service entity that is involved in financial activities, such as banking, mutual funds, insurance, deposit taking or mortgage brokerage activities.
“significant area of risk”	A function, process or an activity within a <i>Dealer Member</i> in which a failure to mitigate or control its risk could lead to material harm to the <i>Dealer Member’s</i> liquidity, solvency, operational capabilities, clients, client assets and other client positions.
“SRO”	The same meaning as defined in National Instrument 14-101.
“subordinated debt”	Debt that does not entitle the holder to be paid in priority to any senior class of debt.
“subsidiary”	Subsidiary of 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.
“Supervisor”	An <i>individual</i> given responsibility and authority by a <i>Dealer Member</i> , and approved by the <i>Corporation</i> , to manage the activities of the <i>Dealer Member</i> or the <i>Dealer Member’s Approved Persons</i> or <i>employees</i> to provide reasonable assurance they comply with the <i>Corporation requirements</i> and <i>securities laws</i> .
“temporary hold”	means a hold that is placed on the purchase or sale of a security on behalf of a client or on the withdrawal or transfer of cash or securities from a client’s account.
“total margin required”	The same meaning as set out in Statement B of Form 1.
“trade name”	A name a <i>Dealer Member</i> or <i>Approved Person</i> uses to conduct business and includes a group name under which a <i>Dealer Member</i> and its <i>affiliates</i> conduct business.
“Trader”	An <i>individual</i> , approved by the <i>Corporation</i> as a trader, whose activity is restricted to trading through a <i>Marketplace Member’s</i> trading system, and who may not advise the public.
“trading strategy”	A broad general approach to investments including matters such as the use of specific products, leverage, frequency of trading or a method of selecting particular investments but does not include specific trade or sectoral weighting recommendations.
“Ultimate Designated Person”	An <i>individual</i> approved by the <i>Corporation</i> to be responsible for the conduct of a designated <i>Dealer Member</i> and the supervision of its <i>employees</i> and to perform the functions for an ultimate designated person described in the <i>Corporation requirements</i> .
“written cash and securities loan agreement”	A written cash loan agreement or securities loan agreement, other than an <i>overnight cash loan agreement</i> (as defined in section 4602), where the <i>Dealer Member</i> receives or pays cash or, provides or receives securities, that contains the minimum provisions described in Part B of Rule 4600.

**1202. – 1299. Reserved.**

## RULE 2200 | DEALER MEMBER ORGANIZATION

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### 2201. Introduction

- (1) A *Dealer Member* must take reasonable care to organize and manage its business responsibly and effectively. A *Dealer Member's* business must be organized to enable adequate supervision of all of its activities and cannot be organized to avoid *Corporation requirements*.
- (2) Rule 2200 is divided into the following parts:
  - Part A – Dealer Member Structure
    - Part A.1 –Business locations  
[section 2202]
    - Part A.2 –Holding companies, related companies and order execution only service providers  
[sections 2205 through 2207]
    - Part A.3 –Non-securities business and shared premises  
[sections 2215 and 2216]
  - Part B – Dealer Member Membership Changes  
[sections 2220 through 2228]
  - Part C – Business Change Notification Requirements  
[sections 2245 through 2248]
  - Part D – Branch Offices of Dealer Members  
[sections 2265 through 2268]
  - Part E – Trade Names and Disclosures  
[sections 2280 through 2285]

### PART A – DEALER MEMBER STRUCTURE

#### PART A.1 - BUSINESS LOCATIONS

### 2202. Business locations

- (1) Under sub-clause 2803(2)(i)(g), a *Dealer Member* must notify the *Corporation* of the opening or closing of a *business location*.

2203. – 2204. Reserved.

#### PART A.2 - HOLDING COMPANIES, RELATED COMPANIES AND ORDER EXECUTION ONLY SERVICE PROVIDERS

### 2205. Holding companies

- (1) A *Dealer Member* must ensure that all its *holding companies* carrying on business in Canada are legally bound to comply with *Corporation requirements* applicable to *holding companies*.
- (2) A *Dealer Member's holding company* may be another *Dealer Member's holding company* if:



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- (i) the *holding company* owns all of the voting securities and participating securities of an *Dealer Member*, or
- (ii) the *Dealer Member* obtains *Corporation* approval to become the *holding company* of a second *Dealer Member*.

### 2206. Related companies

- (1) A *Dealer Member*, or an *employee*, *Approved Person*, or investor of a *Dealer Member*, must obtain *Corporation* approval before it sets up, or acquires any interest in, a *related company* or *associate*.
- (2) A *Dealer Member* must obtain *Corporation* approval before creating a wholly owned *subsidiary* whose principal business is a securities broker, dealer or adviser.
- (3) A *Dealer Member* must be responsible for and *guarantee* its *related companies'* obligations to clients, and each of its *related companies* must be responsible for and *guarantee* the *Dealer Member's* obligations to its clients, as follows:
  - (i) a *Dealer Member* that holds an interest in a *related company* must *guarantee* an amount equal to 100% of the *Dealer Member's* financial statement capital,
  - (ii) a *Dealer Member* that holds an interest in a *related company* must have the *related company guarantee* an amount equal to the *Dealer Member's* percentage ownership multiplied by the *related company's* financial statement capital, and
  - (iii) where two *related companies* are related because the same *person* has an ownership interest of at least 20% in each of them, the *related companies* must *guarantee* each other for an amount equal to that *person's* ownership percentage multiplied by the company's financial statement capital.
- (4) A *Dealer Member*, and each of the *Dealer Member's related companies* that are required to *guarantee* an amount under subsection 2206(3), must sign the current *Corporation guarantee* form.
- (5) The *Board* may exempt a *Dealer Member* from subsection 2206(3), or may decide that a *guarantee* for a greater amount is required.

### 2207. Approval as an order execution only account services provider

- (1) The *Corporation* may approve a *Dealer Member* or a business unit of a *Dealer Member* to be an *order execution only account* service provider if the *Dealer Member's* only business is an *order execution only account* service provider or it provides that service in a separate business unit.
- (2) A *Dealer Member* that is offering *order execution only account* services must comply with all *Corporation requirements* other than those for which compliance is specifically exempted.
- (3) A *Dealer Member's* policies and procedures must specifically address the operation of its *order execution only account* services.
- (4) If operating as a separate business unit within a *Dealer Member*, an *order execution only account* services provider must have separate letterhead, accounts and account documentation, and its *Registered Representatives* and *Investment Representatives* may not work for any other business unit within the *Dealer Member*.

- (5) A *Dealer Member* must not compensate *employees* by giving them trade commissions for transactions executed in *order execution only accounts*.

**2208. – 2214. Reserved.**

**PART A.3 - NON-SECURITIES BUSINESS AND SHARED PREMISES**

**2215. Business other than securities**

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

**2216. Shared office premises**

- (1) For the purposes of section 2216, a "financial services entity" means an entity regulated by a *securities regulatory authority* or by another Canadian financial services regulatory regime such as banking, mutual funds, insurance, deposit-taking, or mortgage brokerage activities.
- (2) A *Dealer Member* may share premises with another *financial services entity*, whether or not they are *related companies* or *affiliate companies*, in accordance with section 2216. This section applies to *Dealer Members* dealing with *retail clients*.
- (3) A *Dealer Member* must ensure that clients clearly understand which legal entity they are dealing with.
- (4) A *Dealer Member's* policies and procedures must specifically address:
  - (i) supervision of *shared office premises*,
  - (ii) representative compliance with *Corporation requirements*, and
  - (iii) that clients clearly understand which entity they are dealing with.
- (5) A *Dealer Member* must have:
  - (i) adequate supervisory resources to carry out its supervisory procedures,
  - (ii) a system for communicating *Corporation requirements* to representatives at the *shared office premises*, and
  - (iii) a process that provides reasonable assurance representatives understand and comply with *Corporation requirements*.
- (6) A *Dealer Member's shared office premises* must be laid out and operated in a manner that ensures the control and confidentiality of client information and client *records* by ensuring that client *records* and account process areas are effectively controlled and physically secure.
- (7) A *Dealer Member* must have appropriate signs and disclosure which differentiates the entities sharing the premises.

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- (8) The legal names under which the *Dealer Member* and each of the other financial services entities operate must be clearly displayed in a prominent location, such as the office entrance door or reception area.
- (9) The ~~Investor Protection Fund~~ logo and brochures [required to be used by the investor protection fund in which they are a member](#) must be displayed in a manner that makes it clear that ~~they~~[the logo and brochures](#) are applicable only to the *Dealer Member* and not to any other *financial services entity*.
- (10) When doing business in *shared office premises*, a *Dealer Member* must comply with Part E of Rule 2200.
- (11) A *Dealer Member* must keep client *records* separate from the records of another *financial services entity* as follows:
  - (i) the *financial services entity* must not have access to the client's hard copy *records*, and
  - (ii) electronic *records* must have separate passwords or another similar control to ensure the *financial services entity* has no access to the electronic client *records* of the *Dealer Member*.
- (12) When a *Dealer Member*, operating in a *shared office premises* opens an account, the *Dealer Member* must obtain the client's specific acknowledgement of a written disclosure statement:
  - (i) outlining the relationship between the *Dealer Member* and the *financial services entity* sharing the premises, and
  - (ii) stating that the entities are separate.
- (13) A *Dealer Member* must keep client information confidential and can only share the information with other *financial services entities* in the *shared office premises* if:
  - (i) the client has consented to the disclosure of confidential information in compliance with applicable federal, provincial, and territorial privacy legislation and regulations, and
  - (ii) the client has consented to the disclosure of client information through a specific confirmation such as a signature or initials at a designated place. A *Dealer Member* must not obtain a client's consent through a negative consent option.
- (14) An *employee* who works for both the *Dealer Member* and another *financial services entity* must not disclose client information from one organization to the other unless performing a relevant service that the client has specifically consented to and the client has consented to the disclosure of the client information.
- (15) Non-registered personnel employed by the *Dealer Member* or representatives of the *financial services entity* may not provide the following services on behalf of the *Dealer Member*:
  - (i) opening accounts,
  - (ii) distributing or receiving order forms for securities transactions,
  - (iii) assisting clients to complete order forms for securities transactions,
  - (iv) giving recommendations or any advice on any activity,
  - (v) completing know-your-client information on an account application, other than biographical information, and
  - (vi) soliciting securities transactions.

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- (16) Non-registered personnel employed by the *Dealer Member* or representatives of the *financial services entity* may provide the following services on behalf of the *Dealer Member*:
- (i) advertising the *Dealer Member's* services and products,
  - (ii) delivering or receiving clients' securities,
  - (iii) arranging client appointments or informing of deficiencies on completed forms,
  - (iv) providing the status, balances, and holdings of client accounts,
  - (v) providing quotes and other market information,
  - (vi) contacting the public, inviting the public to seminars, and forwarding non-securities information,
  - (vii) distributing account applications, subject to subsection 2216(17), and
  - (viii) receiving completed account applications to forward to the *Dealer Member* for approval.
- (17) At the *shared office premises*, a manager, assistant manager or credit officer of the *financial services entity* who has a high degree of knowledge about the client's financial affairs may help the client to complete the account application, if:
- (i) no *Approved Person* is available,
  - (ii) the client's *Registered Representative, Portfolio Manager or Associate Portfolio Manager* complies with *Corporation requirements* relating to know-your-client and suitability determination by reviewing the account application with the client before any trade is conducted or a recommendation is made to a client, and
  - (iii) a *Supervisor* has approved the account application before any trade is conducted for a client.
- (18) A mutual fund sales *person* may only accept orders for accounts at the dealer which they are registered with and may not:
- (i) offer, or advise clients on, equities or other transactions for which specific proficiency is required, or
  - (ii) communicate those client orders to a qualified *person*.

**2217. – 2219. Reserved.**

### **PART B - DEALER MEMBER MEMBERSHIP CHANGES**

#### **2220. Introduction**

- (1) Part B of Rule 2200 sets out how the *Corporation* deals with changes to the *Membership of Dealer Members*.

#### **2221. Notice of intention to resign**

- (1) If a *Dealer Member* intends to resign, it must notify the *Corporation* in writing of its intention by filing a letter of resignation. The *Corporation* will issue a Notice advising of the *Dealer Member's* intention to resign within one week of receiving a *Dealer Member's* intent to resign.

#### **2222. Letter of resignation and supporting documents**

- (1) A resigning *Dealer Member* must state its reasons for resigning in its resignation letter and file the following supporting documents with the *Corporation*:

- (i) audited financial statements indicating the *Dealer Member* has liquid assets sufficient to meet its outstanding liabilities other than subordinated loans, and
- (ii) a report from the *Dealer Member's auditor* indicating that all client accounts and assets have been transferred to another *Dealer Member* or returned to the clients.

**2223. Acquisition and resignation**

- (1) If all or a substantial part of the business and assets of a resigning *Dealer Member* is acquired by another *Dealer Member*, the resigning *Dealer Member* must provide the *Corporation* with:
  - (i) either, an undertaking from the acquiring *Dealer Member* accepting responsibility for all outstanding liabilities of the resigning *Dealer Member*, or the documents required under section 2222, and
  - (ii) pro forma financial statements of the acquiring *Dealer Member* showing compliance with *Corporation requirements* relating to capital requirements.

**2224. Amalgamation of Dealer Members**

- (1) If two or more *Dealer Members* are amalgamated, the *Dealer Members* not continuing due to the amalgamation must surrender their *membership*. The continuing *Dealer Member* must provide the *Corporation* with:
  - (i) an undertaking that it accepts responsibility for all liabilities of the *Dealer Members* that are amalgamating, and
  - (ii) pro forma financial statements of the continuing *Dealer Member* showing compliance with *Corporation requirements* relating to capital requirements.

**2225. Amalgamation with a non-Dealer Member**

- (1) A *Dealer Member* may amalgamate with a non-*Dealer Member* if the continuing *Dealer Member* provides the *Corporation* with:
  - (i) information, satisfactory to the *Corporation*, confirming that the continuing *Dealer Member* will have policies and procedures sufficient to carry on its business and comply with *Corporation requirements*, and
  - (ii) pro forma financial statements of the continuing *Dealer Member* showing compliance with *Corporation requirements* relating to capital requirements.

**2226. Effective date of resignation**

- (1) Resignation of a *Dealer Member* is effective on the date following the day on which the following conditions have all been satisfied:
  - (i) the *Corporation* has received the documents required to support the resignation,
  - (ii) the *Corporation* has received payment of any amount owed to it,
  - (iii) the *Corporation* has confirmed that no complaints or disciplinary actions are outstanding that the *Corporation*, in its sole discretion, determines must be resolved prior to permitting the *Dealer Member* to resign, and
  - (iv) the *Board* has approved the *Dealer Member's* resignation.

- (2) Notwithstanding the above, and without limiting the discretion that the *Board* may have to exempt a *Dealer Member* from any *Corporation requirement*, where circumstances warrant, the *Board* may exercise discretion to postpone the effective date of a *Dealer Member's* resignation.
- (3) The *Corporation* will issue a notice within one week of the effective date of a *Dealer Member's* resignation advising of the effective date of the *Dealer Member's* resignation.

**2227. Payment of Corporation fees**

- (1) A resigning, suspended, terminated or surrendering *Dealer Member* must make full payment of its annual membership fees for the entire fiscal year in which its resignation, suspension, termination or surrender becomes effective, subject to the exception set out in subsection 2227(2).
- (2) A resigning, suspended or terminated *Dealer Member* may make payment of its membership fees until the end of the fiscal quarter in which the following conditions have been met:
  - (i) the *Dealer Member* has transferred all customer accounts to another *Dealer Member*,
  - (ii) the *Dealer Member* has no remaining *Approved Persons* other than shareholders, the *Ultimate Designated Person*, the *Chief Compliance Officer* and the *Chief Financial Officer*, and
  - (iii) in the case of a resigning *Dealer Member*, the *Dealer Member* has provided written notice of its resignation to the *Corporation*.

**2228. Inactive Dealer Members**

- (1) A *Dealer Member* may apply to the *Board* to have its *membership* status temporarily changed to inactive. *Dealer Members* must file their applications in writing and must include reasons for the requested change.
- (2) The *Board* must impose a time limit and may impose conditions on a *Dealer Member's* inactive status.
- (3) When a *Dealer Member's* status changes to inactive, the *Corporation* must publish a notice indicating so.
- (4) A *Dealer Member* with inactive status may apply in writing to the *Board* for an extension to the time period of its inactive status if:
  - (i) the written application is made at least 30 days before the *Dealer Member's* inactive status expires, and
  - (ii) the inactive status period has not been extended previously.
- (5) When a *Dealer Member's* inactive status or the extension to the period of time established by the *Board* for inactive status expires, the *Dealer Member's* status will automatically revert to that of a *Dealer Member*.

**2229. – 2244. Reserved.**

**PART C - BUSINESS CHANGE NOTIFICATION REQUIREMENTS**

**2245. Introduction**

- (1) The *Corporation* may review the changes in a *Dealer Member's* business, listed in section 2246, to ensure they meet *Corporation requirements*.

**2246. Dealer Member's notice of changes to the Corporation**

- (1) A *Dealer Member* must notify the *Corporation* in writing a minimum of 20 days before:
  - (i) changing its name,
  - (ii) changing its constitution in a way that affects voting rights,
  - (iii) taking any steps to dissolve, wind up, surrender its charter, liquidate or dispose of all or substantially all its assets, or
  - (iv) altering its capital structure including, allotting, issuing, repurchasing, redeeming, canceling, subdividing or consolidating of any shares in its capital.
- (2) A *Dealer Member* must notify the *Corporation* in writing before any material change to its business activities.

**2247. Notice of review**

- (1) A *Dealer Member* must not make any of the changes listed in section 2246 if, within the 20 day notice period, the *Corporation* informs the *Dealer Member* that it will be reviewing the proposed change and the change will require *Corporation* approval.

**2248. – 2264. Reserved.**

**PART D - BRANCH OFFICES OF DEALER MEMBERS**

**2265. Introduction**

- (1) Part D of Rule 2200 describes how *Dealer Members'* branch offices participate in the *Corporation* and its *Regions*.

**2266. Branch office members**

- (1) Every *Dealer Member's business location* in a *Region* with a *Supervisor*, who is normally present at the *business location*, is a branch office member of the *Region*.

**2267. Branch office member's representation**

- (1) A branch office member may participate in governing the *Region* in which the branch office is located, as follows:
  - (i) it has the same privileges in its *Region* as any other branch office member, except that at a *Region* meeting, a *Dealer Member* only has one vote in the *Region*, no matter how many branch office members it has, and
  - (ii) its *Region* representative is eligible for election as chair, vice-chair or member of the *Regional Council* for that *Region*.

**2268. Fees**

- (1) A *Dealer Member* does not have to pay an annual fee or entrance fee for its branch office members.

2269. – 2279. Reserved.

## PART E - TRADE NAMES AND DISCLOSURES

### 2280. Introduction

- (1) Part E of Rule 2200 covers a *Dealer Member's* use of trade names, *Corporation* membership disclosure and *Investor Protection Fund* membership disclosure.

### 2281. Trade names

- (1) If a *Dealer Member* carries on business under a *trade name*, the *trade name* must be owned by the *Dealer Member*, an *Approved Person* of the *Dealer Member* or an *affiliate* of the *Dealer Member*.
- (2) An *Approved Person* must not conduct any business under a *trade name* that is not owned by the *Dealer Member* or its *affiliate* without the *Dealer Member's* prior consent.
- (3) A *Dealer Member* or *Approved Person* must not use a *trade name* that any other *Dealer Member* uses unless:
  - (i) the *Dealer Members* are *related companies* or *affiliate companies*, or
  - (ii) the relationship with the other *Dealer Member* is that of *introducing broker* and *carrying broker*.
- (4) A *Dealer Member* or *Approved Person* must not use a deceptive or misleading *trade name*.

### 2282. Corporation notification

- (1) A *Dealer Member* must notify the *Corporation* before it:
  - (i) uses any *trade name* other than the *Dealer Member's* legal name, or
  - (ii) transfers a *trade name* to another *Dealer Member*.
- (2) The *Corporation* may prohibit a *Dealer Member* or *Approved Person* from using a *trade name* that is:
  - (i) contrary to sections 2281, 2282 or 2283,
  - (ii) contrary to the public interest, or
  - (iii) otherwise objectionable.

### 2283. Displaying the full legal name

- (1) A *Dealer Member* must include its full legal name on all contracts and materials used to communicate with the public, whether or not it uses a *trade name*.
- (2) An *Approved Person* that uses a *trade name* different from that of the *Dealer Member* on materials used to communicate with the public must also include the *Dealer Member's* full legal name in size at least equal to that of the *Approved Persons' trade name*.
- (3) Materials used to communicate with the public include, but are not limited to the following: letterhead, business cards, invoices, trade confirmations, monthly statements, websites, *research reports* and *advertisements*.



**2284. ~~Membership~~Investor protection fund membership disclosure requirements ~~of the Investor Protection Fund~~ for Dealer Members**

- (1) A Dealer Member must disclose to its clients:
- (i) that it is a member of an investor protection fund,
  - (ii) the name of the investor protection fund, and
  - (iii) the investor protection fund coverage available for eligible accounts,
- in accordance with the *IPF Disclosure Policy*, ~~membership in the Investor Protection Fund and the coverage available for eligible accounts.~~

**2285. ~~Membership~~Corporation membership disclosure requirements ~~of the Corporation~~ for Dealer Members**

- (1) A Dealer Member must disclose to its clients :
- (i) that it is regulated by, and
  - (ii) the ~~Corporation~~ name of its regulator,
- in accordance with ~~the requirements set out in~~ the *Corporation Membership Disclosure Policy*.

**2286. –2299. Reserved.**

**RULE 2300 | PRINCIPAL AND AGENT RELATIONSHIPS**

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**2301. Introduction**

- (1) Rule 2300 describes the requirements of relationships between *Dealer Members* and their *agents*.

**2302. Principal and agent relationships**

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

**2303. Written agreement between the Dealer Member and the Corporation**

- (1) Before engaging any *agents* to conduct *securities related business*, a *Dealer Member* must enter into a written agreement with the *Corporation*.
- (2) The written agreement must contain terms describing the *Dealer Member's* responsibility:
  - (i) for the *agent's* conduct, including the *agent's* compliance with *Corporation requirements* and *securities laws*, and
  - (ii) to clients for the *agent's* acts and omissions relating to the *Dealer Member's* business.
- (3) The *Corporation* must be satisfied with the form of the written agreement.
- (4) The written agreement must be in a form similar to the following:

**“Agreement between a Dealer Member and the Corporation**

**1. Recitals**

- (i) As a Dealer Member of [~~Amalco~~[Name of Corporation](#)], the Dealer Member agrees it is subject to Corporation requirements.
- (ii) Section 2303 of the Corporation Investment Dealer and Partially Consolidated Rules, “Written agreement between the Dealer Member and the Corporation”, requires the Dealer Member to make this agreement with the Corporation.
- (iii) This agreement is in addition to and does not alter Corporation requirements or any other agreement between the Dealer Member and the Corporation.

**2. Agreement with the Agent**

- (i) The Dealer Member must enter into a written agreement with each of its agents as required by section 2304 of the Corporation Investment Dealer and Partially Consolidated Rules, “Written agreement between the Dealer Member and its agents”, and any successor rules relating to principal and agent relationships.
- (ii) The agreement must require that the agent complies with all applicable laws and Corporation requirements.

**3. Supervision of the Agent**

The Dealer Member must treat each of its agents as employees with respect to:

- (i) administration of Corporation requirements,
- (ii) supervision of the agent under Corporation requirements, and

(iii) ensuring its agents comply with all applicable laws and Corporation requirements.

**4. Written Disclosure of Respective Responsibilities to Clients**

The Dealer Member or the agent must disclose to clients at the time of opening an account:

- (i) the list of *securities related business* activities conducted by the agent for which the Dealer Member is responsible, and
- (ii) that the Dealer Member is not responsible for any other business activity conducted by the agent.

**5. Disclosure to Clients**

The disclosure to clients must be made using the following language in the account application:

“If your investment advisor is an agent of [the Dealer Member name], [Dealer Member name] is irrevocably liable to you for any acts and omissions of your investment advisor with regard to [Dealer Member name] business as if the investment advisor were an employee of [Dealer Member name]. By continuing to deal with our firm, you accept our offer of indemnity.”

**6. Disclosure by Agent**

Where the disclosure described in 4(i) and (ii) is made by the agent, the Dealer Member must ensure that the agent has made the disclosure directly to the clients.

**7. Regulatory Authority of the Corporation**

The Dealer Member acknowledges that the Corporation has the authority to regulate and enforce the provisions set out in the Dealer Member and agent agreement.

**8. Governing Laws**

This agreement is governed by the laws of [applicable province] and the laws of Canada.

**9. Continuing Benefit**

The agreement is for the benefit of and binding upon the parties and their successors and assigns. The Dealer Member may not assign the agreement without the Corporation’s prior written consent.

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

[DEALER MEMBER]

\_\_\_\_\_  
[NAME AND TITLE OF SIGNING INDIVIDUAL]

”

**2304. Written agreement between the Dealer Member and its agents**

- (1) The *Dealer Member* and the *agent* who conducts *securities related business* must enter into a written agreement.
- (2) The written agreement must not contain any terms inconsistent with *Corporation requirements* or *securities laws*.

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- (3) The *Corporation* must be satisfied with the form of the written agreement before the *Dealer Member* finalizes the agreement with the *agent*.
- (4) The *Dealer Member* must certify to the *Corporation* that the written agreement complies with Rule 2300 and any other applicable *Corporation requirements*.
- (5) The *Corporation* may request that the *Dealer Member* obtain a legal opinion confirming subsection 2304(4).
- (6) The *Corporation* must be satisfied that the written agreement complies with *applicable laws* relating to tax matters.
- (7) The written agreement must contain the following minimum terms:
  - (i) **Compliance with the applicable laws**

The *agent* and the *Dealer Member* confirm that this agreement does not violate *applicable laws*.
  - (ii) **Confirmation of supremacy of Corporation requirements**

The *agent* and the *Dealer Member* confirm that:

    - (a) this agreement is made in compliance with *Corporation requirements*,
    - (b) if there is an inconsistency between this agreement and any applicable *Corporation requirements*, the *Corporation requirements* will prevail,
    - (c) any inconsistent terms will be deemed severed and deleted,
    - (d) The *Corporation* has the authority to regulate and enforce the provisions set out in this agreement, and
    - (e) this agreement will be interpreted and enforced to give full effect to any applicable *Corporation requirements*.
  - (iii) **Compliance by the agent with applicable laws, securities laws, and Corporation requirements**
    - (a) The *agent* warrants to the *Dealer Member* that it is appropriately registered or licensed, in good standing and in compliance with all *applicable laws, securities laws* and *Corporation requirements*.
    - (b) The *agent* covenants to comply with all *applicable laws, securities laws* and *Corporation requirements*.
    - (c) The *agent* agrees to be bound by and comply with the warranties and covenants above throughout the term of the agreement.
  - (iv) **Conduct of the agent's business**
    - (a) The *agent* agrees to conduct all business in the *Dealer Member's* name, subject to sections 2281 through 2283 relating to the use of trade names.
    - (b) The *agent* agrees to conduct all *securities related business* activities through the *Dealer Member*.
  - (v) **Supervision of the agent by the Dealer Member**

The *Dealer Member* agrees to be:

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- (a) responsible for the supervision of the *agent's* conduct to provide reasonable assurance of the agent's compliance with *Corporation requirements* and the requirements of any other *securities regulatory authority* to which the *Dealer Member* is subject, and
- (b) liable to clients (and other third parties) for the *agent's* conduct as if they were an *employee*.

(vi) **Written disclosure to clients**

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

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

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

(vii) **Dealer Member assumes responsibility for clients**

- (a) In the event that:
  - (I) the *Corporation* or another *securities regulatory authority* has advised the *Dealer Member* that it has started an investigation relating to allegations of misconduct by the *agent*, or
  - (II) the *Dealer Member* has reasonable grounds to believe that the *agent* has contravened or may be contravening one or more *Corporation requirements* or *securities laws*,

the *Dealer Member* may immediately and without notice to the *agent*, assume responsibility for the client to the exclusion of the *agent*.

- (b) The *agent* may not have any dealings or communications with the client as long as the *Dealer Member* has assumed this responsibility.
- (c) The *Dealer Member* may designate another qualified *person* to provide services to the client, and that *person* may receive any *remuneration* that would have been paid to the *agent*.

(viii) **Outside-business activities**

- (a) The *agent* agrees not to conduct any outside-business activity without disclosing to and obtaining the written consent of the *Dealer Member*.
- (b) If the *agent* is involved in an outside-business activity, the *Dealer Member* agrees to monitor and enforce compliance with the terms of this agreement directly and not through another employer or principal of the *agent*.
- (c) The *agent* agrees to ensure that the outside-business activity will not interfere with the *Dealer Member* or the *Corporation* monitoring and enforcing compliance by the *agent* with this agreement or *Corporation requirements*.

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(ix) **Access to premises**

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

(x) **Records**

The *agent* agrees that the books and *records* kept by the *agent* for the *Dealer Member's* business:

- (a) will conform to *Corporation requirements*,
- (b) are the *Dealer Member's* property,
- (c) are available at all times for review by and delivery to the *Dealer Member*, and
- (d) shall be delivered to the *Dealer Member* on termination of the agreement.

(xi) **Insurance**

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

(xii) **Assignment of agreement**

The *agent* acknowledges that the *Dealer Member* has the right to assign to the *Corporation* any or all of the *Dealer Member's* rights to enforce the terms of this agreement that relate to *Corporation requirements*.

**2305. –2399. Reserved.**

**RULE 2400 | ACCEPTABLE BACK OFFICE ARRANGEMENTS**

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**2401. Introduction**

- (1) In order to manage back office expenses, *Dealer Members* may enter into arrangements that involve back office service sharing with another organization. Services shared may include any combination of: trade execution, trade clearing and settlement, trade financing, trade related cash and security custody and trade related books and *records*. In some cases, before an arrangement can commence, the parties must agree to specific *Corporation* arrangement conditions, including obtaining *Corporation* approval of the arrangement.
- (2) Sections 2401 through 2480 sets out the specific *Corporation requirements* for a number of arrangements that a *Dealer Member* may enter into and is organized as follows:

Part A – Requirements for acceptable arrangements between two *Dealer Members* ~~and between a mutual fund dealer and a *Dealer Member*~~ including:

Part A.1 – General requirements

[sections 2403 through 2407]

Part A.2 – Specific requirements for Type 1 introducing broker / carrying broker arrangements

[section 2410]

Part A.3 – Specific requirements for Type 2 introducing broker / carrying broker arrangements

[section 2415]

Part A.4 – Specific requirements for Type 3 introducing broker / carrying broker arrangements

[section 2420]

Part A.5 – Specific requirements for Type 4 introducing broker / carrying broker arrangements

[section 2425]

Part ~~A.6 – Corporation Rules that apply when the introducing broker is a mutual fund dealer~~ B – Requirements for acceptable arrangements between a *Dealer Member* and a *Mutual Fund Dealer Member*

~~[section~~ sections 2430 and 2431]

Part BC – Requirements for acceptable arrangement between a *Dealer Member* and a foreign *affiliate dealer*

[sections 2435 and 2436]

Part CD – Permitted arrangements that are not considered to be introducing broker / carrying broker arrangements

[sections 2460 and 2461]

Part DE – Prohibited arrangements

[section 2480]

**2402. Definitions**

(1) The following terms have the meaning set out below when used in sections 2402 through 2480:

<p>“clearing arrangement”</p>	<p>An arrangement entered into between two dealers under which all of the following services are provided by one dealer (“clearing broker”) to the other dealer for one or more lines of business:</p> <ul style="list-style-type: none"> <li>(i) trade execution,</li> <li>(ii) trade settlement, and</li> <li>(iii) client account bookkeeping.</li> </ul> <p>Trade financing or account financing, custody of client cash and custody of client security positions services must not be provided as part of this arrangement.</p>
<p>“introducing broker / carrying broker arrangement”</p>	<p>An arrangement entered into between two dealers under which all of the following services are provided by one dealer, the <i>carrying broker</i>, to the other dealer, the <i>introducing broker</i>, for one or more lines of business:</p> <ul style="list-style-type: none"> <li>(i) trade settlement,</li> <li>(ii) custody of client cash,</li> <li>(iii) custody of client security positions, and</li> <li>(iv) client account bookkeeping.</li> </ul> <p>Trade execution and trade financing or account financing services may or may not be provided as part of this arrangement.</p>

**PART A - ARRANGEMENTS BETWEEN TWO DEALER MEMBERS – GENERAL REQUIREMENTS**

**PART A.1 - GENERAL REQUIREMENTS**

**2403. Arrangements that may be executed**

- (1) A Dealer Member ~~or a mutual fund dealer~~ that wants to become an *introducing broker* may enter into one of the following *introducing broker / carrying broker arrangements* with another Dealer Member:
- (i) a Type 1 or 2 *introducing broker/carrying broker arrangement* for all of its Dealer Member related activities ~~or mutual fund dealer related activities,~~
  - (ii) a Type 1 or 2 *introducing broker/carrying broker arrangement* for all of its Dealer Member related activities ~~or mutual fund dealer related activities~~ other than trading in *futures contracts* and *futures contract options*, or
  - (iii) a Type 3 or 4 *introducing broker/carrying broker arrangement* for one or more of its Dealer Member related activities ~~or mutual fund dealer related activities~~ business lines.

**2404. Additional conditions that apply to an introducing broker under a Type 1 introducing broker/carrying broker arrangement**

- (1) A Dealer Member ~~or a mutual fund dealer~~ that is an *introducing broker* under a Type 1 *introducing broker/carrying broker arrangement* with another Dealer Member:
- (i) must not enter into any additional *introducing broker / carrying broker arrangements* with another Dealer Member unless the arrangement is a Type 1 *introducing broker/carrying*



*broker arrangement* or Type 2 *introducing broker/carrying broker arrangement* that provides back office services exclusive to trading in *futures contracts* and *futures contract options*,

- (ii) must not self-clear any part of its *Dealer Member related activities* ~~or mutual fund dealer related activities~~ other than self-clearing trading in *futures contracts* and *futures contracts options*, and
- (iii) must use its *carrying broker's* facilities for its principal trading, settlement, and securities custody.

**2405. Additional conditions that apply to an introducing broker under a Type 2 introducing broker/carrying broker arrangement**

- (1) A *Dealer Member* ~~or a mutual fund dealer~~ that is an *introducing broker* under a Type 2 *introducing broker/carrying broker arrangement* with ~~a~~another *Dealer Member*:
  - (i) must not enter into any additional *introducing broker / carrying broker arrangements* with another *Dealer Member* unless the arrangement is a Type 1 *introducing broker/carrying broker arrangement* or Type 2 *introducing broker/carrying broker arrangement* that provides back office services exclusive to trading in *futures contracts* and *futures contract options*,
  - (ii) must not self-clear any part of its *Dealer Member related activities* ~~or mutual fund dealer related activities~~ other than self-clearing trading in *futures contracts* and *futures contracts options*, and
  - (iii) may use brokers other than its *carrying broker* for its principal trading, settlement, and securities custody.

**2406. Additional conditions that apply to an introducing broker under either a Type 3 introducing broker/carrying broker or a Type 4 introducing broker/carrying broker arrangement**

- (1) A *Dealer Member* ~~or a mutual fund dealer~~ that is an *introducing broker* under a Type 3 *introducing broker/carrying broker arrangement* or Type 4 *introducing broker/carrying broker arrangement* with ~~a~~another *Dealer Member*:
  - (i) must not enter into any Type 1 or Type 2 *introducing broker/carrying broker arrangements* for one or more of its remaining *Dealer Member related activities* ~~or mutual fund dealer related activities~~ business lines,
  - (ii) may, where a business case can be made, enter into additional Type 3 *introducing broker/carrying broker arrangement* or Type 4 *introducing broker/carrying broker arrangements* for one or more of its remaining *Dealer Member related activities* ~~or mutual fund dealer related activities~~ business lines,
  - (iii) may self-clear one or more of its remaining *Dealer Member related activities* ~~or mutual fund dealer related activities~~ business lines, and
  - (iv) may use brokers other than its *carrying broker* for its principal trading, settlement, and securities custody.

**2407. Requirement for an agreement**

- (1) A Dealer Member ~~or a mutual fund dealer~~ that is an *introducing broker* may enter into an arrangement permitted within sections 2403 through 2406 with another Dealer Member if both parties enter into a written *introducing broker / carrying broker* ~~contract~~agreement:
  - (i) in a form acceptable to the *Corporation*,
  - (ii) that specifies the type of arrangement being entered into as a Type 1, Type 2, Type 3 or Type 4 *introducing broker/carrying broker arrangement*,
  - (iii) whose terms comply with the requirements of sections 2401 through 2480 that apply to the type of arrangement being entered into, and
  - (iv) which is approved by the *Corporation* in advance of it coming into effect.

**2408. – 2409. Reserved.**

**PART A.2 - SPECIFIC REQUIREMENTS FOR TYPE 1 INTRODUCING BROKER / CARRYING BROKER ARRANGEMENTS**

**2410. Type 1 introducing broker/carrying broker arrangement – requirements**

The parties to a Type 1 *introducing broker / carrying broker arrangement* between two Dealer Members must comply with the following requirements:

- (1) Minimum capital requirement
  - (i) The *introducing broker* must maintain at all times minimum capital of \$75,000 for the purposes of calculating *risk adjusted capital*.
- (2) Margin requirements to be provided by the *introducing broker*
  - (i) The *introducing broker* must maintain the required margin for principal business it introduces to the *carrying broker*.
- (3) Margin requirements to be provided by the *carrying broker*
  - (i) The *carrying broker* must maintain the required margin:
    - (a) for client business it carries for the *introducing broker*, and
    - (b) for any settlement date equity deficiency amounts relating to the principal business it carries for the *introducing broker* in accordance with the margin requirements for an account with another *regulated entity*, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.
- (4) Offsets of *carrying broker* margin requirements against deposits
  - (i) The *carrying broker* may reduce any margin it is required to provide under subsection 2410(3) by the least of the following amounts:
    - (a) the margin requirement,
    - (b) the loan value of any *introducing broker* deposits held by the *carrying broker*, and
    - (c) the *introducing broker's* excess *risk adjusted capital*.

Where a reduction is taken, the *carrying broker* must promptly notify the *introducing broker*.

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- (5) Reporting client balances
  - (i) When calculating *risk adjusted capital*, the *carrying broker* must report on Statement A and Schedule 4 of Form 1 and the Monthly Financial Report all client accounts introduced by the *introducing broker*. The *introducing broker* must not report these accounts.
- (6) Net client balances / funding
  - (i) The *carrying broker* must meet financing requirements for client accounts introduced by the *introducing broker*.
- (7) Deposits provided to the *carrying broker* by the *introducing broker*
  - (i) The *carrying broker* must:
    - (a) segregate security deposits provided by the *introducing broker*,
    - (b) hold cash deposits in a separate bank account in trust for the *introducing broker*, and
    - (c) report all deposits it receives from the *introducing broker* as a liability on its Form 1 and Monthly Financial Report.
  - (ii) The *introducing broker* must:
    - (a) report as a non-allowable asset on the *introducing broker's* Form 1 and Monthly Financial Report:
      - (I) any portion of a deposit that a *carrying broker* has used to offset its margin requirements under subsection 2410(4), and
      - (II) any portion of a deposit that is impaired in value because the *carrying broker* carries client accounts with unsecured debit balances,
    - and,
    - (b) report as an allowable asset on the *introducing broker's* Form 1 and Monthly Financial Report any remaining deposits not classified as a non-allowable asset under sub-clause 2410(7)(ii)(a).
- (8) Concentration calculations
  - (i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the *carrying broker* must include, and the *introducing broker* must not include, all client positions the *carrying broker* maintains for the *introducing broker*.
- (9) Segregating client securities
  - (i) The *carrying broker* must segregate securities for clients introduced by the *introducing broker* in accordance with *Corporation requirements* relating to *segregation*.
- (10) Free credit segregation
  - (i) The *carrying broker* must segregate free credits for client accounts introduced by the *introducing broker* in accordance with *Corporation requirements* including, but not limited to, Statement D of Form 1.
- (11) Insurance coverage requirements of the *introducing broker*
  - (i) The *introducing broker* must:
    - (a) include all accounts introduced to the *carrying broker*:

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- (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4458, and
    - (II) when determining adequate insurance coverage levels for registered mail under section 4455,
  - (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4458, and
  - (c) maintain adequate insurance for registered mail specified under section 4455.
- (12) Insurance coverage requirements of the *carrying broker*
- (i) The *carrying broker* must:
    - (a) include all accounts it carries for the *introducing broker*:
      - (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4458, and
      - (II) when determining adequate insurance coverage levels for registered mail under section 4455,
    - (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
    - (c) maintain adequate insurance for registered mail specified under section 4455.
- (13) Client account opening required disclosure
- (i) At the time of opening a client account, the *introducing broker* must:
    - (a) advise the client of:
      - (I) its relationship to the *carrying broker*, and
      - (II) the client's relationship to the *carrying broker*,and
  - (b) obtain from the client a *Corporation* approved form acknowledging it has provided the client with the disclosure required by sub-clause 2410(13)(i)(a).
- (14) ~~Margin lending and parties~~ Parties to margin and *guarantee* documents
- (i) ~~Where the introducing broker is:~~
    - ~~(a) a mutual fund dealer, client purchase of securities and other investment products must be fully paid for and margin lending or any other form of credit extension, other than that permitted in section 3.2.1. of the Mutual Fund Dealer Rules, is not permitted.~~
    - ~~(b) a Dealer Member, the~~ The *introducing broker* and the *carrying broker* must both be parties to any margin agreements and *guarantee* documents.
- (15) Disclosure on contracts, statements and correspondence
- (i) To ensure ongoing disclosure of the *introducing broker* / *carrying broker* relationship to clients, the *introducing broker* and *carrying broker* must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of

this ongoing disclosure, annual disclosure of the *introducing broker / carrying broker* relationship is not required.

- (16) Clients introduced to the *carrying broker*
  - (i) A client introduced to the *carrying broker* by the *introducing broker* must be considered a client of both the *introducing broker* and the *carrying broker* for the purposes of compliance with *Corporation requirements*.
- (17) Compliance with non-financial requirements
  - (i) The *introducing broker* and the *carrying broker* are jointly and severally responsible for compliance with all non-financial *Corporation requirements* for each account the *introducing broker* introduces to the *carrying broker* unless stated otherwise in this section.
- (18) Handling client cash
  - (i) The *introducing broker* must not accept or handle client funds in the form of money.
  - (ii) With the *carrying broker's* advance approval, the *introducing broker* may accept a cheque in the *carrying broker's* name from a client whose account is carried by the *carrying broker* and:
    - (a) deliver it to the *carrying broker* on the day it is received by the *introducing broker* or the next *business day*, or
    - (b) arrange for the *carrying broker* to pick it up on the day it is received by the *introducing broker* or the next *business day*.
  - (iii) A client may send a cheque directly to the *carrying broker*.
- (19) Reporting of *introducing broker* principal positions
  - (i) The *introducing broker* must report all its principal positions carried by a *carrying broker* as inventory on its Form 1 and Monthly Financial Report.
  - (ii) The *carrying broker* must report the balance of the principal trading account the *introducing broker* has with the *carrying broker* on its Form 1 and Monthly Financial Report.

**2411. – 2414. Reserved.**

### **PART A.3 - SPECIFIC REQUIREMENTS FOR TYPE 2 INTRODUCING BROKER / CARRYING BROKER ARRANGEMENTS**

#### **2415. Type 2 introducing broker/carrying broker arrangement – requirements**

The parties to a Type 2 *introducing broker / carrying broker arrangement* [between two Dealer Members](#) must comply with the following requirements:

- (1) Minimum capital requirement
  - (i) The *introducing broker* must maintain at all times minimum capital of \$250,000 for the purposes of calculating *risk adjusted capital*.
- (2) Margin requirements to be provided by the *introducing broker*
  - (i) The *introducing broker* must maintain the required margin for principal business it introduces to the *carrying broker*.
- (3) Margin requirements to be provided by the *carrying broker*

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- (i) The *carrying broker* must maintain the required margin:
  - (a) for client business it carries for the *introducing broker*, and
  - (b) for any settlement date equity deficiency amounts relating to the principal business it carries for the *introducing broker* in accordance with the margin requirements for an account with another *regulated entity*, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.
- (4) Offsets of *carrying broker* margin requirements against deposits
  - (i) The *carrying broker* may reduce any margin it is required to provide under subsection 2415(3) by the least of the following amounts:
    - (a) the margin requirement,
    - (b) the loan value of any *introducing broker* deposits held by the *carrying broker*, and
    - (c) the *introducing broker's* excess risk adjusted capital.Where a reduction is taken, the *carrying broker* must promptly notify the *introducing broker*.
- (5) Reporting client balances
  - (i) When calculating *risk adjusted capital*, the *carrying broker* must report on Statement A and Schedule 4 of Form 1 and the Monthly Financial Report all client accounts introduced by the *introducing broker*. The *introducing broker* must not report these accounts.
- (6) Net client balances / funding
  - (i) The *carrying broker* must meet financing requirements for client accounts introduced by the *introducing broker*.
- (7) Deposits provided to the *carrying broker* by the *introducing broker*
  - (i) The *carrying broker* must:
    - (a) segregate security deposits provided by the *introducing broker*,
    - (b) hold cash deposits in a separate bank account in trust for the *introducing broker*, and
    - (c) report all deposits it receives from the *introducing broker* as a liability on its Form 1 and Monthly Financial Report.
  - (ii) The *introducing broker* must:
    - (a) report as a non-allowable asset on the *introducing broker's* Form 1 and Monthly Financial Report:
      - (I) any portion of a deposit that a *carrying broker* has used to offset its margin requirements under subsection 2415(4), and
      - (II) any portion of a deposit that is impaired in value because the *carrying broker* carries client accounts with unsecured debit balances,
    - and,
    - (b) report as an allowable asset on the *introducing broker's* Form 1 and Monthly Financial Report any remaining deposits not classified as a non-allowable asset under sub-clause 2415(7)(ii)(a).
- (8) Concentration calculations

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- (i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the *carrying broker* must include, and the *introducing broker* must not include, all client positions the *carrying broker* maintains for the *introducing broker*.
- (9) Segregating client securities
  - (i) The *carrying broker* must segregate securities for clients introduced by the *introducing broker* in accordance with *Corporation requirements* relating to *segregation*.
- (10) Free credit segregation
  - (i) The *carrying broker* must segregate free credits for client accounts introduced by the *introducing broker* in accordance with *Corporation requirements* including, but not limited to, Statement D of Form 1.
- (11) Insurance coverage requirements of the *introducing broker*
  - (i) The *introducing broker* must:
    - (a) include all accounts introduced to the *carrying broker*:
      - (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4458, and
      - (II) when determining adequate insurance coverage levels for registered mail under section 4455,
    - (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4458, and
    - (c) maintain adequate insurance for registered mail specified under section 4455.
- (12) Insurance coverage requirements of the *carrying broker*
  - (i) The *carrying broker* must:
    - (a) include all accounts it carries for the *introducing broker*:
      - (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4458, and
      - (II) when determining adequate insurance coverage levels for registered mail under section 4455,
    - (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
    - (c) maintain adequate insurance for registered mail specified under section 4455.
- (13) Client account opening required disclosure
  - (i) At the time of opening a client account the *introducing broker* must:
    - (a) advise the client of:
      - (I) its relationship to the *carrying broker*, and
      - (II) the client's relationship to the *carrying broker*, and
    - (b) obtain from the client a *Corporation* approved form acknowledging it has provided the client with the disclosure required by sub-clause 2415(13)(i)(a).

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- (14) ~~Margin lending and parties~~ Parties to margin and *guarantee* documents
- (i) ~~Where the introducing broker is:~~
- ~~(a) a mutual fund dealer, client purchase of securities and other investment products must be fully paid for and margin lending or any other form of credit extension, other than that permitted in section 3.2.1. of the Mutual Fund Dealer Rules, is not permitted.~~
- ~~(b) a Dealer Member, the~~ The *introducing broker* and the *carrying broker* must both be parties to any margin agreements and *guarantee* documents.
- (15) Disclosure on contracts, statements and correspondence
- (i) The *introducing broker* must provide either ongoing or annual disclosure of its *introducing broker / carrying broker* relationship to clients as follows:
- (a) where the *introducing broker* elects to provide ongoing relationship disclosure, the *introducing broker* and *carrying broker* must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the *introducing broker / carrying broker* relationship is not required, or
- (b) where the *introducing broker* elects to provide annual relationship disclosure:
- (I) the *introducing broker* must show its name on all client account contracts, statements, correspondence and other documents, and
- (II) the *introducing broker* must provide an annual written disclosure to each of its clients whose accounts are carried by a *carrying broker* outlining the relationship between:
- (A) the *introducing broker* and the *carrying broker*, and
- (B) the client and the *carrying broker*.
- However, if the name and role of each of the *introducing broker* and the *carrying broker* is shown on all contracts, statements, correspondence and other documents, the annual disclosure under paragraph 2415(15)(i)(b)(II) is not required.
- (16) Clients introduced to the *carrying broker*
- (i) A client introduced to the *carrying broker* by the *introducing broker* must be considered a client of both the *introducing broker* and the *carrying broker* for the purposes of compliance with *Corporation requirements*.
- (17) Compliance with non-financial requirements
- (i) For each account it introduces to the *carrying broker*, the *introducing broker* is responsible for compliance with all non-financial *Corporation requirements* unless stated otherwise in this section.
- (18) Handling client cash
- (i) The *introducing broker* must not accept or handle client funds in the form of money.
- (ii) The *introducing broker* may accept a cheque from a client in the name of the *introducing broker* or *carrying broker*, provided that the cheque is deposited into a bank account in the



*carrying broker's* name or forwarded on to the *carrying broker* on the day it is received by the *introducing broker* or the next *business day*.

- (19) Reporting of *introducing broker* principal positions
  - (i) The *introducing broker* must report all its principal positions carried by a *carrying broker* as inventory on its Form 1 and Monthly Financial Report.
  - (ii) The *carrying broker* must report the balance of the principal trading account the *introducing broker* has with the *carrying broker* on its Form 1 and Monthly Financial Report.

**2416. – 2419. Reserved.**

#### **PART A.4 - SPECIFIC REQUIREMENTS FOR TYPE 3 INTRODUCING BROKER / CARRYING BROKER ARRANGEMENTS**

##### **2420. Type 3 introducing broker/carrying arrangement – requirements**

The parties to a Type 3 *introducing broker / carrying broker arrangement* [between two Dealer Members](#) must comply with the following requirements:

- (1) Minimum capital requirement
  - (i) The *introducing broker* must maintain at all times minimum capital of \$250,000 for the purposes of calculating *risk adjusted capital*.
- (2) Margin requirements to be provided by the *introducing broker*
  - (i) The *introducing broker* must maintain the required margin:
    - (a) for principal business it introduces to the *carrying broker*, and
    - (b) for client business it introduces to the *carrying broker*.
- (3) Margin requirements to be provided by the *carrying broker*
  - (i) The *carrying broker* must maintain the required margin for any settlement date equity deficiency amounts relating to the principal business it carries for the *introducing broker* in accordance with the margin requirements for an account with another *regulated entity*, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.
- (4) Offsets of *carrying broker* margin requirements against deposits
  - (i) The *carrying broker* may reduce any margin it is required to provide under subsection 2420(3) by the lesser of the following amounts:
    - (a) the margin requirement, and
    - (b) the loan value of any *introducing broker* deposits held by the *carrying broker*.Where a reduction is taken, the *carrying broker* must promptly notify the *introducing broker*.
- (5) Reporting client balances
  - (i) When calculating *risk adjusted capital*, the *introducing broker* must report on Statement A and Schedule 4 of Form 1 and Monthly Financial Report all client accounts introduced to the *carrying broker*. The *carrying broker* must not report those accounts.
  - (ii) The *carrying broker* must report on its Form 1 and Monthly Financial Report one balance owing to or from the *introducing broker*, representing client accounts it carries for the *introducing broker*.

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- (iii) Although the *carrying broker* reports just one balance, its obligations and liabilities to each client whose account it carries for the *introducing broker* are not released, discharged, limited, or otherwise affected.
- (6) Net client balances / funding
  - (i) The *carrying broker* must meet financing requirements for client accounts introduced by the *introducing broker*.
- (7) Deposits provided to the *carrying broker* by the *introducing broker*
  - (i) The *carrying broker* must:
    - (a) segregate security deposits provided by the *introducing broker*,
    - (b) hold cash deposits in a separate bank account in trust for the *introducing broker*, and
    - (c) report all deposits it receives from the *introducing broker* as a liability on its Form 1 and Monthly Financial Report.
  - (ii) The *introducing broker* must:
    - (a) report as a non-allowable asset on the *introducing broker's* Form 1 and Monthly Financial Report any portion of a deposit that a *carrying broker* has used to offset its margin requirements under subsection 2420(4), and
    - (b) report as an allowable asset on the *introducing broker's* Form 1 and Monthly Financial Report any remaining deposits not classified as a non-allowable asset under sub-clause 2420(7)(ii)(a).
- (8) Concentration calculations
  - (i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the *introducing broker* must include, and the *carrying broker* must not include, all client positions the *carrying broker* maintains for the *introducing broker*.
- (9) Segregating client securities
  - (i) The *carrying broker* must segregate securities for clients introduced by the *introducing broker* in accordance with *Corporation requirements* relating to *segregation*.
- (10) Free credit segregation
  - (i) The *carrying broker* must segregate free credits for client accounts introduced by the *introducing broker* in accordance with *Corporation requirements* including, but not limited to, Statement D of Form 1.
- (11) Insurance coverage requirements of the *introducing broker*
  - (i) The *introducing broker* must:
    - (a) include all accounts introduced to the *carrying broker*:
      - (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4457 and
      - (II) when determining adequate insurance coverage levels for registered mail under section 4455,
    - (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and

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- (c) maintain adequate insurance for registered mail specified under section 4455.
- (12) Insurance coverage requirements of the *carrying broker*
  - (i) The *carrying broker* must:
    - (a) include all accounts it carries for the *introducing broker*:
      - (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4457, and
      - (II) when determining adequate insurance coverage levels for registered mail under section 4455,
    - (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
    - (c) maintain adequate insurance for registered mail specified under section 4455.
- (13) Client account opening required disclosure
  - (i) At the time of opening a client account the *introducing broker* must advise the client of:
    - (a) its relationship to the *carrying broker*, and
    - (b) the client's relationship to the *carrying broker*.
- (14) ~~Margin lending and parties~~ Parties to margin and *guarantee* documents
  - (i) ~~Where the introducing broker is:~~
    - ~~(a) a mutual fund dealer, client purchase of securities and other investment products must be fully paid for and margin lending or any other form of credit extension, other than that permitted in section 3.2.1. of the Mutual Fund Dealer Rules, is not permitted.~~
    - ~~(b) a Dealer Member, the~~ The *introducing broker* and the *carrying broker* must both be parties to any margin agreements and *guarantee* documents.
- (15) Disclosure on contracts, statements and correspondence
  - (i) The *introducing broker* must provide either ongoing or annual disclosure of its *introducing broker / carrying broker* relationship to clients as follows:
    - (a) where the *introducing broker* elects to provide ongoing relationship disclosure, the *introducing broker* and *carrying broker* must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the *introducing broker / carrying broker* relationship is not required, or
    - (b) where the *introducing broker* elects to provide annual relationship disclosure:
      - (I) the *introducing broker* must show its name on all client account contracts, statements, correspondence and other documents, and
      - (II) the *introducing broker* must provide an annual written disclosure to each of its clients whose accounts are carried by a *carrying broker* outline the relationship between:
        - (A) the *introducing broker* and the *carrying broker*, and

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(B) the client and the *carrying broker*.

However, if the name and role of each of the *introducing broker* and the *carrying broker* is shown on all contracts, statements, correspondence and other documents, the annual disclosure under paragraph 2420(15)(i)(b)(II) is not required.

- (16) Clients introduced to the *carrying broker*
- (i) A client introduced to the *carrying broker* by the *introducing broker* must be considered a client of both the *introducing broker* and the *carrying broker* for the purposes of compliance with *Corporation requirements*.
- (17) Compliance with non-financial requirements
- (i) For each account it introduces to the *carrying broker*, the *introducing broker* is responsible for compliance with all non-financial *Corporation requirements* unless stated otherwise in this section.
- (18) Handling client cash
- (i) The *introducing broker* may accept or handle client funds in the form of money.
  - (ii) An *introducing broker* may facilitate transactions for a client account carried by a *carrying broker* by accepting client cheques:
    - (a) in the *introducing broker's* name, and depositing those cheques in a bank account in the *introducing broker's* name for eventual deposit to an account in the *carrying broker's* name, or
    - (b) in the *carrying broker's* name for deposit directly into a bank account in the *carrying broker's* name.
- (19) Reporting of *introducing broker* principal positions
- (i) The *introducing broker* must report all its principal positions carried by a *carrying broker* as inventory on its Form 1 and Monthly Financial Report.
  - (ii) The *carrying broker* must report the balance of the principal trading account the *introducing broker* has with the *carrying broker* on its Form 1 and Monthly Financial Report.

**2421. – 2424. Reserved.**

### **PART A.5 - SPECIFIC REQUIREMENTS FOR TYPE 4 INTRODUCING BROKER / CARRYING BROKER ARRANGEMENTS**

#### **2425. Type 4 introducing broker/carrying broker arrangement – requirements**

The parties to a Type 4 *introducing broker / carrying broker arrangement* [between two Dealer Members](#) must comply with the following requirements:

- (1) Minimum capital requirement
  - (i) The *introducing broker* must maintain at all times minimum capital of \$250,000 for the purposes of calculating *risk adjusted capital*.
- (2) Margin requirements to be provided by the *introducing broker*
  - (i) The *introducing broker* must maintain the required margin:
    - (a) for principal business it introduces to the *carrying broker*, and

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- (b) for client business it introduces to the *carrying broker*.
- (3) Margin requirements to be provided by the *carrying broker*
  - (i) The *carrying broker* must maintain the required margin for any settlement date equity deficiency amounts relating to the principal business it carries for the *introducing broker* in accordance with the margin requirements for an account with another *regulated entity*, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.
- (4) Offsets of *carrying broker* margin requirements against deposits
  - (i) The *carrying broker* may reduce any margin it is required to provide under subsection 2425(3) by the lesser of the following amounts:
    - (a) the margin requirement, and
    - (b) the loan value of any *introducing broker* deposits held by the *carrying broker*.Where a reduction is taken, the *carrying broker* must promptly notify the *introducing broker*.
- (5) Reporting client balances
  - (i) When calculating *risk adjusted capital*, the *introducing broker* must report on Statement A and Schedule 4 of Form 1 and the Monthly Financial Report all client accounts introduced to the *carrying broker*. The *carrying broker* must not report those accounts.
  - (ii) The *carrying broker* must report on its Form 1 and Monthly Financial Report one balance owing to or from the *introducing broker*, representing client accounts it carries for the *introducing broker*.
  - (iii) Although the *carrying broker* reports just one balance, its obligations and liabilities to each client whose account it carries for the *introducing broker* are not released, discharged, limited, or otherwise affected.
- (6) Net client balances / funding
  - (i) The *introducing broker* must meet financing requirements for client accounts it introduces to the *carrying broker*.
- (7) Deposits provided to the *carrying broker* by the *introducing broker*
  - (i) The *carrying broker* must:
    - (a) segregate security deposits provided by the *introducing broker*,
    - (b) hold cash deposits in a separate bank account in trust for the *introducing broker*, and
    - (c) report all deposits it receives from the *introducing broker* as a liability on its Form 1 and Monthly Financial Report.
  - (ii) The *introducing broker* must:
    - (a) report as a non-allowable asset on the *introducing broker's* Form 1 and Monthly Financial Report any portion of a deposit that a *carrying broker* has used to offset its margin requirements under subsection 2425(4), and
    - (b) report as an allowable asset on the *introducing broker's* Form 1 and Monthly Financial Report any remaining deposits not classified as a non-allowable asset under sub-clause 2425(7)(ii)(a).
- (8) Concentration calculations

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- (i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the *introducing broker* must include, and the *carrying broker* must not include, all client positions the *carrying broker* maintains for the *introducing broker*.
- (9) Segregating client securities
  - (i) The *carrying broker* must segregate securities for clients introduced by the *introducing broker* in accordance with *Corporation requirements* relating to *segregation*.
- (10) Free credit segregation
  - (i) The *introducing broker* must segregate free credits for client accounts it introduces to the *carrying broker* in accordance with *Corporation requirements* including, but not limited to, Statement D of Form 1.
- (11) Insurance coverage requirements of the *introducing broker*
  - (i) The *introducing broker* must:
    - (a) include all accounts introduced to the *carrying broker*:
      - (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4457, and
      - (II) when determining adequate insurance coverage levels for registered mail under section 4455,
    - (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
    - (c) maintain adequate insurance for registered mail specified under section 4455.
- (12) Insurance coverage requirements of the *carrying broker*
  - (i) The *carrying broker* must:
    - (a) include all accounts it carries for the *introducing broker*:
      - (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4457, and
      - (II) when determining adequate insurance coverage levels for registered mail under section 4455,
    - (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
    - (c) maintain adequate insurance for registered mail specified under section 4455.
- (13) Client account opening required disclosure
  - (i) At the time of opening a client account the *introducing broker* must advise the client of:
    - (a) its relationship to the *carrying broker*, and
    - (b) the client's relationship to the *carrying broker*.
- (14) ~~Margin lending and parties~~ Parties to margin and *guarantee* documents
  - (i) ~~Where the introducing broker is:~~

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~~(a) a mutual fund dealer, client purchase of securities and other investment products must be fully paid for and margin lending or any other form of credit extension, other than that permitted in section 3.2.1. of the Mutual Fund Dealer Rules, is not permitted.~~

~~(b) a Dealer Member;~~

~~(i) the The introducing broker ~~is~~ and the carrying broker or the introducing broker itself, may be party to any margin ~~agreement~~agreements and ~~guarantee document, and~~documents.~~

~~(iii) ~~where a~~Where the margin agreements or ~~guarantee agreement is~~documents are only executed between the *introducing broker* and ~~a~~the client, ~~then~~ the *introducing broker / carrying broker* agreement must provide that the *carrying broker* may protect its interest in unpaid securities of the *introducing broker* when the *introducing broker* becomes insolvent, bankrupt, or ceases to be a *Dealer Member*.~~

### (15) Disclosure on contracts, statements and correspondence

(i) The *introducing broker* must provide either ongoing or annual disclosure of its *introducing broker / carrying broker* relationship to clients as follows:

(a) where the *introducing broker* elects to provide ongoing relationship disclosure, the *introducing broker* and *carrying broker* must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the *introducing broker / carrying broker* relationship is not required, or

(b) where the *introducing broker* elects to provide annual relationship disclosure:

(I) the *introducing broker* must show its name on all client account contracts, statements, correspondence and other documents,

(II) the *introducing broker* must provide an annual written disclosure to each of its clients whose accounts are carried by a *carrying broker* outlining the relationship between:

(A) the *introducing broker* and the *carrying broker*, and

(B) the client and the *carrying broker*.

However, if the name and role of each of the *introducing broker* and the *carrying broker* is shown on all contracts, statements, correspondence and other documents, the annual disclosure under paragraph 2425(15)(i)(b)(II) is not required.

### (16) Clients introduced to the *carrying broker*

(i) A client introduced to the *carrying broker* by the *introducing broker* must be considered a client of both the *introducing broker* and the *carrying broker* for the purposes of compliance with *Corporation requirements*.

### (17) Compliance with non-financial requirements

(i) For each account it introduces to the *carrying broker*, the *introducing broker* is responsible for compliance with all non-financial *Corporation requirements* unless stated otherwise in this section.

### (18) Handling client cash

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- (i) The *introducing broker* may accept or handle client funds in the form of money.
  - (ii) An *introducing broker* may facilitate transactions for a client account carried by a *carrying broker* by accepting client cheques:
    - (a) in the *introducing broker's* name, and depositing those cheques in a bank account in the *introducing broker's* name for eventual deposit to an account in the *carrying broker's* name, or
    - (b) in the *carrying broker's* name for deposit directly into a bank account in the *carrying broker's* name.
- (19) Reporting of *introducing broker* principal positions
- (i) The *introducing broker* must report all its principal positions carried by a *carrying broker* as inventory on its Form 1 and Monthly Financial Report.
  - (ii) The *carrying broker* must report the balance of the principal trading account the *introducing broker* has with the *carrying broker* on its Form 1 and Monthly Financial Report.

2426. – 2429. Reserved.

### ~~PART A.6 — CORPORATION RULES THAT APPLY WHEN THE INTRODUCING BROKER IS B —~~ REQUIREMENTS FOR ACCEPTABLE ARRANGEMENTS BETWEEN A DEALER MEMBER AND A MUTUAL FUND DEALER

#### 2430. ~~Corporation Rules~~ Arrangements between investment dealers and mutual fund dealers

- (1) A Dealer Member may carry accounts for a Mutual Fund Dealer Member provided that:
- (i) the Dealer Member and the Mutual Fund Dealer Member shall enter into a written introducing broker / carrying broker agreement evidencing the arrangement and reflecting the requirements of section 2431 and such other matters as may be required by the Corporation.
  - (ii) the arrangement (including the form of agreement referred to in section 2431) and any amendment to or termination of the arrangement or agreement, shall have been approved by the Corporation before it is to become effective; and
  - (iii) the arrangement shall be in compliance with the Corporation's Investment Dealer and Partially Consolidated Rules, Mutual Fund Dealer Rules and Universal Market Integrity Rules and securities laws applicable to the introducing and carrying dealer or, where for a particular activity the introducing broker or carrying broker cannot comply with the requirements applicable to them, the introducing broker and carrying broker must request exemptive relief from the Corporation that specifies the manner in which the activity must be performed.

#### 2431. Requirements that apply to each party involved in the arrangement

- ~~(1) — Where the Corporation determines that a significant portion of a mutual fund dealer's business is introduced to one or more carrying brokers and the mutual fund dealer is in substance operating~~



~~in the same manner as an investment dealer offering a limited scope of investment products, the mutual fund dealer~~

(1) A Dealer Member may enter into an agreement with a Mutual Fund Dealer Member in accordance with section 2430 if it satisfies the following requirements:

(i) For activities performed by the carrying broker on the introducing broker's behalf:

(a) the carrying broker will be subject to and must comply with the applicable rule requirements within the Corporation's Investment Dealer and Partially Consolidated Rules, and Universal Market Integrity Rules,

~~(2) Where the Corporation determines that an insignificant portion of a mutual fund dealer's business is introduced to one or more carrying brokers and the mutual fund dealer is in substance operating in the same manner as a mutual fund dealer offering a limited scope of investment products, the mutual fund dealer~~

(b) the carrying broker must perform these activities in a manner that does not interfere with the introducing broker's ability to meet its compliance obligations under sub-clause 2431(1)(ii)(a), and

(c) both the introducing broker and the carrying broker retain joint responsibility for:

(I) the proper performance of the activities, and

(II) compliance with the applicable rules.

(ii) For activities other than those performed by the carrying broker on the introducing broker's behalf:

(a) the introducing broker will be subject to and must comply with the Corporation's Mutual Fund Dealer Rules,

#### ~~2431~~

(b) the introducing broker must perform these activities in a manner that does not interfere with the carrying broker's ability to meet its compliance obligations under sub-clause 2431(1)(i)(a), and

(c) the introducing broker retains sole responsibility for:

(I) the proper performance of the activities, and

(II) compliance with the applicable rules.

~~2432. - 2434. Reserved.~~

### **PART BC - ARRANGEMENTS BETWEEN A DEALER MEMBER AND A FOREIGN AFFILIATE DEALER**

#### **2435. Arrangements that may be executed with a foreign affiliate**

(1) A Dealer Member may carry the client accounts of its foreign affiliate dealer if:

(i) the Dealer Member enters into an introducing broker / carrying broker agreement type that is permissible pursuant to sections 2403 through 2425 to be entered into between two Dealer Members,

(ii) the Dealer Member complies with the applicable conditions and requirements that apply to introducing broker / carrying broker agreement type set out in sections 2403 through 2425, including the requirement to enter into a written agreement,

(iii) the written agreement is:

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- (a) in a form acceptable to the *Corporation*,
- (b) specifies the type of arrangement being entered into is a Type 1, Type 2, Type 3 or Type 4 *introducing broker/carrying broker* arrangement,
- (c) includes terms that comply with the requirements of sections 2401 through 2480 that apply to the type of arrangement being entered into, and
- (d) approved by the *Corporation* in advance of it coming into effect,

and,

- (iv) the *Dealer Member* complies with the additional conditions set out in section 2436.

### **2436. Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer**

The parties to an *introducing broker / carrying broker arrangement* between a *Dealer Member* and its foreign *affiliate* dealer must comply with the following conditions and requirements:

- (1) Annual disclosure requirement
  - (i) The foreign *affiliate*, at least annually, must provide written disclosure in a form satisfactory to the *Corporation*, to each of its clients whose accounts are carried by the *Dealer Member* outlining:
    - (a) the relationship between the *Dealer Member* and its foreign *affiliate*,
    - (b) the relationship between the *Dealer Member* and the foreign *affiliate's* client, and
    - (c) any *Investor Protection Fund* coverage limitations on those client accounts.
- (2) Foreign jurisdiction approval
  - (i) The *Dealer Member* must provide written approval of the arrangement between the *Dealer Member* and its foreign *affiliate* from the foreign *affiliate's* regulatory authority.
- (3) Responsibility for compliance
  - (i) The *Dealer Member's* foreign *affiliate* is not required to comply with *Corporation requirements* solely because of the arrangement.
- (4) Reporting balances
  - (i) When calculating *risk adjusted capital* the *Dealer Member* must report on Statement A and Schedule 4 of Form 1 and the Monthly Financial Report one balance owing to or from its foreign *affiliate* representing the accounts of the clients it carries on behalf of its foreign *affiliate*.
- (5) Segregating securities
  - (i) The *Dealer Member* must *segregate* securities it holds for its foreign *affiliate's* clients in accordance with *Corporation requirements* relating to *segregation*.
- (6) Insurance
  - (i) The *Dealer Member* must include all accounts introduced to it by its foreign *affiliate* when calculating client net equity for minimum Financial Institution Bond coverage under section 4457 and 4458.

2437. – 2459. Reserved.

**PART CD - PERMITTED ARRANGEMENTS THAT ARE NOT CONSIDERED TO BE INTRODUCING  
BROKER/CARRYING BROKER ARRANGEMENTS**

**2460. Certain arrangements executed with a Canadian financial institution affiliate**

- (1) A Dealer Member's arrangement under which employees of its *affiliate* handle securities clearing and settlement, maintain *records*, or perform operational functions is not considered an *introducing / carrying broker arrangement* for the purposes of sections 2401 through 2480 provided the custodial functions are handled on a segregated basis according to *Corporation requirements* and the *affiliate* is:
- (i) a chartered bank,
  - (ii) an insurance company governed by federal or provincial insurance legislation, or
  - (iii) a loan or trust company governed by federal or provincial loan and trust company legislation.

**2461. Certain arrangements with other dealers**

- (1) A Dealer Member's clearing arrangement under which it acts as the clearing broker for another dealer is permitted and is not considered an *introducing broker / carrying broker arrangement* for the purposes of sections 2401 through 2480, provided that the arrangement also qualifies as a clearing arrangement under the rules of the relevant exchange or self-regulatory organization in the jurisdiction of the other dealer.

2462. – 2479. Reserved.

**PART DE - PROHIBITED BACK OFFICE SHARING ARRANGEMENTS**

**2480. Prohibited introducing broker / carrying broker arrangements**

- (1) A Dealer Member must not enter into an *introducing broker / carrying broker arrangement* with any person except with:
- (i) another Dealer Member ~~or a mutual fund dealer~~, in accordance with the requirements in sections 2403 through [2425](#),
  - ~~(ii) a Mutual Fund Dealer Member, in accordance with the requirements in sections 2430 and 2431,~~ or
  - (ii) a foreign *affiliate* dealer, in accordance with the requirements in sections 2435 and 2436.

2481. – 2499. Reserved.

**RULE 2500 | DEALER MEMBER DIRECTORS AND EXECUTIVES, AND APPROVAL OF INDIVIDUALS**

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**2501. Introduction**

- (1) Rule 2500 sets out requirements for a *Dealer Member's Directors and Executives* including, its *Chief Financial Officer, Chief Compliance Officer, and Ultimate Designated Person*.
- (2) Rule 2500 is divided into the following parts:
  - Part A – Dealer Member Directors and Executives  
[sections 2502 through 2507]
  - Part B – Approval of individuals  
[sections 2550 through 2555]

**PART A - DEALER MEMBER DIRECTORS AND EXECUTIVES**

**2502. General requirements for Directors**

- (1) No *individual* may become a member of the board of directors of a *Dealer Member* unless that *individual* has been approved as a *Director* by the *Corporation*.
- (2) At least 40% of the *Dealer Member's Directors* must:
  - (i) either:
    - (a) be *actively engaged in the business of the Dealer Member* and spend the majority of their time in the securities industry, except those on active government service, or who for health reasons are prevented from such active engagement, or
    - (b) occupy a position equivalent to an *Executive* or a *Director* at a related or *affiliated* firm registered with a *securities regulatory authority*, an *affiliated* foreign securities dealer or advisor, or an *affiliated* Canadian financial institution,
  - (ii) satisfy the applicable proficiency requirements of clause 2602(3)(xxviii), and
  - (iii) have at least five years' experience in the financial services industry, or such lesser period as may be acceptable to the *Corporation*.
- (3) The remaining *Directors* who do not meet subsection 2502(2) must, if *actively engaged in the business of the Dealer Member* or its *related company*, meet the requirements of sub-clause 2502(2)(i)(b) and clause 2502(2)(ii).

**2503. General requirements for Executives**

- (1) A *Dealer Member's Executives* must:
  - (i) be either:
    - (a) *actively engaged in the business of the Dealer Member* and spend the majority of their time in the securities industry, except those on active government service, or who for health reasons are prevented from such active engagement, or
    - (b) occupy a position equivalent to an *Executive* or *Director* at a related or *affiliated* firm registered with a *securities regulatory authority*, *affiliated* foreign securities dealer or advisor, or an *affiliated* Canadian financial institution, and

- (ii) satisfy the applicable proficiency requirements of clause 2602(3)(xxvii).
- (2) At least 60% of the *Dealer Member's Executives* must have at least five years of experience in the financial services industry, or such lesser period as may be acceptable to the *Corporation*.

**2504. Exemption**

- (1) The *Corporation* may grant an exemption from any requirement or part of a requirement in sections 2502 or 2503 if it is satisfied that it would not harm the interests of the *Dealer Member*, its clients, the public or the *Corporation*. The exemption may be on any terms and conditions that the *Corporation* believes are necessary.

**2505. Chief Financial Officer**

- (1) A *Dealer Member* must designate a *Chief Financial Officer* who must:
  - (i) be designated as an *Executive* and meet the general requirements for *Executives* set out in section 2503, and
  - (ii) satisfy the applicable proficiency and experience requirements set out in clause 2602(3)(xxix).
- (2) The *Chief Financial Officer* need not be *actively engaged in the business of the Dealer Member* on a full-time basis if appropriate for the *Dealer Member's* business.
- (3) When a *Chief Financial Officer* ceases to be approved in the applicable category, the *Dealer Member* must either immediately:
  - (i) designate a qualified *individual* as *Chief Financial Officer*, or
  - (ii) with the *Corporation's* prior approval, designate an *Executive* as acting *Chief Financial Officer*.
- (4) When an acting *Chief Financial Officer* is designated:
  - (i) that *individual* must satisfy the applicable proficiency requirements of clause 2602(3)(xxix) and be designated as *Chief Financial Officer*, or
  - (ii) the *Dealer Member* must designate another qualified *individual* as *Chief Financial Officer*, within 90 days of the previous *Chief Financial Officer's* cessation date.
- (5) Any *Dealer Member* that fails to have a qualified *Chief Financial Officer* within 90 days of the cessation date of the previous *Chief Financial Officer*, or such other dates as the *Corporation* may specify, will be liable for and pay to the *Corporation* such fees as the *Board* may prescribe from time to time.

**2506. Chief Compliance Officer**

- (1) A *Dealer Member* must designate a *Chief Compliance Officer* who must:
  - (i) be designated as an *Executive* and meet the general requirements for *Executives* set out in section 2503, and
  - (ii) satisfy the applicable proficiency and experience requirements set out in clause 2602(3)(xxx).
- (2) The *Chief Compliance Officer* may be the *Ultimate Designated Person*, if approved by the *Corporation*.

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- (3) A *Dealer Member* may designate additional *Chief Compliance Officers* to be responsible for separate business units of the *Dealer Member*, if the *Dealer Member* has obtained the prior approval of the *Corporation* and any other applicable *securities regulatory authority*.
- (4) When a *Chief Compliance Officer* ceases to be approved in the applicable category, the *Dealer Member* must either immediately:
  - (i) designate a qualified *individual* as *Chief Compliance Officer*, or
  - (ii) with the *Corporation's* prior approval, designate an *Executive* as acting *Chief Compliance Officer*.
- (5) When an acting *Chief Compliance Officer* is designated:
  - (i) the *individual* must satisfy the applicable proficiency requirements of clause 2602(3)(xxx) and be designated as *Chief Compliance Officer*, or
  - (ii) the *Dealer Member* must designate another qualified *individual* as *Chief Compliance Officer*, within 90 days of the previous *Chief Compliance Officer's* cessation date.
- (6) Any *Dealer Member* that fails to have a qualified *Chief Compliance Officer* within 90 days of the cessation date of the previous *Chief Compliance Officer*, or such other dates as the *Corporation* may specify, will be liable for and pay to the *Corporation* such fees as the *Board* may prescribe from time to time.

### 2507. Ultimate Designated Person

- (1) A *Dealer Member* must designate an *Ultimate Designated Person* who must be designated as an *Executive* and meet the general requirements for *Executives* set out in section 2503.
- (2) The *Ultimate Designated Person* must be:
  - (i) the chief executive officer of the *Dealer Member* or, if the *Dealer Member* does not have a chief executive officer, an *individual* acting in a capacity similar to a chief executive officer,
  - (ii) the sole proprietor of the *Dealer Member*, or
  - (iii) the *Executive* in charge of a division of the *Dealer Member*, if the activity that requires the *Dealer Member* to register occurs only within the division and the *Dealer Member* has significant other business activities.
- (3) A *Dealer Member* may designate additional *Ultimate Designated Persons* to be responsible for separate business units, with the prior approval of the *Corporation* and any other applicable *securities regulatory authority*.
- (4) If an *individual* who is approved as a *Dealer Member's* *Ultimate Designated Person* ceases to meet any of the conditions listed in subsections 2507(1) and 2507(2), the *Dealer Member* must immediately designate another qualified *individual* to act as its *Ultimate Designated Person* or if unable to do so, promptly notify the *Corporation* of its plan to designate another qualified *individual* as its *Ultimate Designated Person*.

2508. – 2549. Reserved.

## PART B - APPROVAL OF INDIVIDUALS

### 2550. Introduction

- (1) Part B of Rule 2500 sets out the approval criteria for *Approved Persons*.
- (2) Part B of Rule 2500 requirements are complementary to section 9204, which discuss *individual* approval applications.

### 2551. Individual approval

- (1) An *individual* is not permitted to act as an *Approved Person* and a *Dealer Member* is not permitted to allow an *individual* to act as an *Approved Person* unless:
  - (i) the *Dealer Member* is registered or licensed (or exempt from such registration or licensing) in the appropriate category under *securities laws* in each jurisdiction in which clients of the *Dealer Member* reside or in which the *Dealer Member* carries on *securities related business*,
  - (ii) the *individual*, if required to do so under *securities laws*, is registered or licensed (or exempt from such registration or licensing) in the appropriate category under *securities laws* in each jurisdiction in which clients of the *individual* reside or in which the *individual* carries on *securities related business*, and
  - (iii) the *individual* is approved by the *Corporation* in the appropriate *Approved Person* category, before the *individual* begins working in that role. [In the case of a Registered Representative dealing in mutual funds only who is an employee of a firm registered as both an investment dealer and a mutual fund dealer, such approval will be automatic upon the individual's registration as a Mutual Fund Dealer - Dealing Representative.](#)
- (2) Only a *Dealer Member's* director, partner, *officer* or *employee* can be an *Approved Person*.
- (3) A *Dealer Member* must ensure that each *Approved Person* at the *Dealer Member* complies with *Corporation requirements* applicable to that *individual's* *Approved Person* category.
- (4) All *Approved Persons* are subject to *Corporation* jurisdiction and must comply with *Corporation requirements*.
- (5) A *Dealer Member* must ensure that, when dealing with the public, its *Approved Persons* use titles and designations that accurately indicate:
  - (i) the type of business that they have been approved by the *Corporation* to conduct, and
  - (ii) the role that they carry out or has been approved by the *Corporation* to carry out.
- (6) If an *Approved Person* ceases to be approved by the *Corporation*, the former *Approved Person* must immediately cease any activity requiring *Corporation* approval.
- (7) ~~An~~ [Except as set out in subsection 2551\(8\), an](#) *Approved Person* must not accept, nor allow an *associate* to accept, directly or indirectly, any ~~pay, wages, salary, fees~~ [remuneration](#), gratuity, ~~advantage~~, benefit or other consideration from any *person* other than the *Dealer Member*, its *related companies*, or *affiliates* for any *Dealer Member related activities* carried out by the *Approved Person*.

(8) Where an individual:

(i) is approved as a Registered Representative dealing in mutual funds only pursuant to clause 2602(3)(vii), and

(ii) acts as an agent of a Dealer Member in compliance with the requirements set out in Rule 2300,

any remuneration, gratuity, benefit or other consideration in respect of business conducted by the individual on behalf of the Dealer Member may be paid by the Dealer Member to a corporation that is not registered under securities laws provided:

(iii) the arrangement is not prohibited or otherwise limited by the relevant securities laws or securities regulatory authorities,

(iv) the corporation is incorporated under the laws of Canada or a province or territory of Canada, and

(v) the individual, Dealer Member and the unregistered corporation have entered into a written agreement, in a form prescribed by the Corporation, the terms of which provide that:

(a) the individual and Dealer Member have the same:

(i) obligations to comply with applicable Corporation requirements and securities laws, and

(ii) liabilities to third parties, including clients irrespective of the method by which any remuneration, gratuity, benefit or other consideration is disbursed.

(b) the Dealer Member shall engage in appropriate supervision with respect to the conduct of the individual and the unregistered corporation to ensure compliance with the requirements in sub-clause 2551(8)(v)(a) and all other applicable Corporation requirements, and

(c) the individual and the unregistered corporation shall provide the Dealer Member, the Corporation and the applicable securities regulatory authorities with access to all books and records maintained by or on behalf of either of them for the purpose of ensuring compliance with the Corporation requirements and securities laws.

(9) Subsection 2551(8) does not apply in respect of any remuneration, gratuity, benefit or other consideration derived from a client in Alberta.

**2552. Compliance with the proficiency requirements or other conditions**

(1) Each *Approved Person* must:

(i) meet the applicable proficiency requirements set out in Rule 2600 before *Corporation* approval is granted, and

(ii) complete the applicable post-approval course requirements of subsection 2602(3) after receiving *Corporation* approval.

(2) The *Corporation* will automatically suspend an *Approved Person* if they do not complete all required post-approval courses in the *Approved Persons* category as set out in Rule 2600.



- (3) The *Corporation* will reinstate an *Approved Person* once they have passed the required post-approval courses and the *Corporation* has been notified.
- (4) A *Dealer Member* must file a report specified by the *Corporation* on the conditions imposed on an *Approved Person* under Rule 8200 or Rule 9200 within 10 *business days* of the end of each month.
- (5) If a *Dealer Member* does not file the report specified in subsection 2552(4) or files the report late, it must pay the *Corporation* the applicable late filing fee.

**2553. Approval of Registered Representatives, Investment Representatives, Portfolio Managers and Associate Portfolio Managers and their obligations**

- (1) A *Portfolio Manager* and *Associate Portfolio Manager* is also permitted to conduct activities carried on by a *Registered Representative* in accordance with *Corporation requirements* applicable to *Registered Representatives*.
- (2) A *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* may not conduct on behalf of a *Dealer Member*, and a *Dealer Member* may not permit the *Approved Person* to conduct on its behalf, the type of business as set out in clause 2553(2)(iv) and deal with a type of customer as set out in clauses 2553(2)(i) and (ii), unless the *Dealer Member* complies with the following:
  - (i) The *Dealer Member* must notify the *Corporation*, and seek the *Corporation's* prior approval on whether the *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* will deal with either *retail clients* or *institutional clients*.
  - (ii) A *Registered Representative* dealing with:
    - (a) *retail clients*, may take orders from, or give advice to, all types of clients, or
    - (b) *institutional clients*, may take orders from, or give advice to, *institutional clients* only.
  - (iii) An *Investment Representative* dealing with:
    - (a) *retail clients*, may take orders from all types of clients, or
    - (b) *institutional clients*, may take orders from *institutional clients* only.
  - (iv) The *Dealer Member* must notify the *Corporation* which of its *individuals* approved as a *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* will deal in or advise in:
    - (a) only mutual funds, government or government-guaranteed debt instruments, and deposit instruments issued by a federally regulated bank, trust company, credit union or *caisse populaire*, except those for which all or part of the interest or return is indexed to the performance of another financial instrument or index,
    - (b) *options*,
    - (c) *futures contracts* and *futures contract options*, other than in any province where approval is required, and
    - (d) general securities business; including equities, fixed income and other investment products not listed above.

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- (3) An *individual* applying for approval as a *Registered Representative* or *Investment Representative* dealing with mutual fund business only must comply with the proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) or 2602(3)(xiii).
- (4) A *Registered Representative* or *Investment Representative* approved to deal with mutual funds only must comply with the following:
  - (i) within 270 days of initial approval, successfully complete the Canadian Securities Course and the Conduct and Practices Handbook Course, and
  - (ii) complete the applicable training program required before approval for a *Registered Representative* in clause 2602(3)(i) or an *Investment Representative* in clause 2602(3)(viii) and the *Dealer Member* must notify ~~HROC~~ [the Corporation](#) that the restriction to mutual funds only has been removed.
- (5) Clause 2553(4)(ii) does not apply to a *Registered Representative* or *Investment Representative* qualified to deal in mutual funds only who was approved prior to September 28, 2009 and registered in provinces or territories which allowed the *individual* to be restricted to mutual funds only, provided they remain in the same restricted category of approval in the same provinces/territories.
- (6) Subsection 2553(4) does not apply to a *Registered Representative* qualified to deal in mutual funds only who is an *employee* of a firm that is registered as both an investment dealer and a mutual fund dealer.
- (7) The approval of an *individual* qualified to conduct only mutual fund business is automatically suspended if the *individual* fails to satisfy the requirement in subsection 2553(4) until the *individual* has satisfied the requirements and notifies ~~HROC~~ [the Corporation](#).
- (8) An *Associate Portfolio Manager* must not advise on securities unless, before giving the advice, the advice has been pre-approved by the *Portfolio Manager*.

### 2554. The Approved Person's activities outside of the Dealer Member

- (1) An *Approved Person* may have, and continue in, ~~a business or other~~ [an](#) activity outside of the *Dealer Member*, if the ~~business or other~~ [outside](#) activity:
  - (i) is not contrary to *securities laws* or *Corporation requirements*, and
  - (ii) does not bring the securities industry into disrepute.
- (2) An *Approved Person* may have, and continue in, ~~a business~~ [an outside](#) activity ~~outside of the Dealer Member~~, if:
  - (i) the *Approved Person* informs the *Dealer Member* of the outside ~~business~~ activity,
  - (ii) the *Approved Person* obtains the *Dealer Member's* prior approval to engage in the outside ~~business~~ activity,
  - (iii) the *Dealer Member's* policies and procedures specifically address:
    - (a) continuous service to clients, and
    - (b) potential conflicts of interest,and,

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- (iv) the *Dealer Member* notifies the *Corporation* of the outside ~~business~~ activity within the time period and manner required by ~~Corporation requirements~~ [National Instrument 33-109](#).
- (3) An *individual* must not act, and a *Dealer Member* must not permit an *individual* to act, as a *Registered Representative, Investment Representative, Portfolio Manager, Associate Portfolio Manager or Trader* in a manner that is contrary to section 4.1 of National Instrument 31-103, unless an exemption is granted by the applicable *securities regulatory authority* and such similar exemption request is also filed with and approved by the *Corporation*.

### 2555. Approval of investors

- (1) Any investor who owns or holds a *beneficial ownership* interest in a *significant equity interest* in the *Dealer Member* or special warrants or other securities that are convertible into a *significant equity interest* in the *Dealer Member* must:
  - (i) be approved by the *Corporation*, and
  - (ii) if applicable, meet the proficiency requirements of subsections 2555(2) and 2555(3).
- (2) A *Dealer Member's Director* who, directly or indirectly, owns or controls a voting interest of a *Dealer Member* of 10% or more must satisfy the proficiency requirements of clause 2602(3)(xxxi).
- (3) Any *individual*, other than a *Dealer Member's Director*, who:
  - (i) is *actively engaged in the business of the Dealer Member*, and
  - (ii) directly or indirectly owns or controls a voting interest in a *Dealer Member* of 10% or more, must satisfy the proficiency requirements of clause 2602(3)(xxxi) applicable to *approved investors*.

### 2556. – 2599. Reserved.

**RULE 2600 | PROFICIENCY REQUIREMENTS AND EXEMPTIONS FROM PROFICIENCIES**

**2601. Introduction**

- (1) Rule 2600 sets out the minimum proficiency requirements for *individuals* requiring *Corporation* approval. The requirements are designed to ensure that *Approved Persons* are qualified to perform their job functions competently in order to meet their regulatory obligations and that a *Dealer Member's* business is conducted with integrity.
- (2) Rule 2600 is divided into the following parts:
  - Part A – Proficiency requirements  
[sections 2602 and 2603]
  - Part B – Exemptions from proficiency requirements  
[sections 2625 through 2628]
  - Part C – Transition provisions  
[sections 2630 and 2631]

**PART A - PROFICIENCY REQUIREMENTS**

**2602. Proficiency requirements for Approved Persons and approved investors**

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

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

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<ul style="list-style-type: none"> <li>• <i>Registered Representative</i> dealing in mutual funds only who is an <i>employee</i> of a firm registered as an investment dealer and not registered as a mutual fund dealer</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Registered Representative</i> dealing in mutual funds only who is an <i>employee</i> of a firm registered as both an investment dealer and a mutual fund dealer</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Investment Representative</i> dealing with <i>retail clients</i> (other than <i>Investment Representative</i> dealing in <i>options, futures contracts</i> and <i>futures contract options</i> or dealing in mutual funds only)</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Investment Representative</i> dealing with <i>institutional clients</i> (other than <i>Investment Representative</i> dealing in <i>options, futures contracts</i> and <i>futures contract options</i> or dealing in mutual funds only)</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Investment Representative</i> dealing in <i>options</i> with <i>retail clients</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Investment Representative</i> dealing in <i>options</i> with <i>institutional clients</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Investment Representative</i> dealing in <i>futures contracts</i> or <i>futures contract options</i> with <i>retail</i> or <i>institutional clients</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Investment Representative</i> dealing in mutual funds only who is an <i>employee</i> of a firm registered as an investment dealer and not registered as a mutual fund dealer</li> </ul>
<b>Associate Portfolio Managers and Portfolio Managers</b>
<ul style="list-style-type: none"> <li>• <i>Associate Portfolio Managers</i> providing discretionary portfolio management for <i>managed accounts</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Portfolio Managers</i> providing discretionary portfolio management for <i>managed accounts</i></li> </ul>
<b>Traders</b>
<ul style="list-style-type: none"> <li>• <i>Trader</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Trader</i> on the Montréal Exchange</li> </ul>
<b>Supervisors – Retail or Institutional</b>
<ul style="list-style-type: none"> <li>• <i>Supervisor of Registered Representatives or Investment Representatives</i> (other than supervising <i>options</i> or <i>futures contracts</i> and <i>futures contract options</i>)</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor of Registered Representatives or Investment Representatives</i> dealing with clients in <i>options</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor of Registered Representatives or Investment Representatives</i> dealing with clients in <i>futures contracts</i> and <i>futures contract options</i></li> </ul>
<b>Designated Supervisors</b>
<ul style="list-style-type: none"> <li>• <i>Supervisor</i> designated to be responsible for the opening of new accounts and supervision of account activity</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor</i> designated to be responsible for the supervision of <i>discretionary accounts</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor</i> designated to be responsible for the supervision of <i>managed accounts</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor</i> designated to be responsible for the supervision of <i>options</i> accounts</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor</i> designated to be responsible for the supervision of <i>futures contract /futures contract options</i> accounts</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor</i> designated to be responsible for the pre-approval of <i>advertising, sales literature</i> and <i>correspondence</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor</i> designated to be responsible for the supervision of <i>research reports</i></li> </ul>
<b>Executives and Directors</b>
<ul style="list-style-type: none"> <li>• <i>Executive</i> (including <i>Ultimate Designated Person</i>)</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Director</i></li> </ul>

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<ul style="list-style-type: none"> <li>• <i>Chief Financial Officer</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Chief Compliance Officer</i></li> </ul>
<b>Approved investors</b>
<ul style="list-style-type: none"> <li>• <i>approved investor</i></li> </ul>

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
<b>Registered Representatives and Investment Representatives</b>			
(i) <i>Registered Representative dealing with retail clients (other than Registered Representatives dealing in options, futures contracts and futures contract options or dealing in mutual funds only)</i>	<ul style="list-style-type: none"> <li>• Canadian Securities Course or, Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course and</li> <li>• 90-day training program after completion of the Canadian Securities Course or CFA Program Level I or any higher level. The <i>Dealer Member</i> must employ the applicant full time during this program.</li> </ul> OR New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval	<ul style="list-style-type: none"> <li>• Wealth Management Essentials Course within 30 months after approval date as a <i>Registered Representative</i></li> </ul>	<ul style="list-style-type: none"> <li>• Six months of supervision and supervisory reporting from initial approval date as a <i>Registered Representative</i></li> </ul>
(ii) <i>Registered Representative dealing with institutional clients (other than Registered Representatives dealing in options, futures contracts and futures contract options or dealing in mutual funds only)</i>	<ul style="list-style-type: none"> <li>• Canadian Securities Course or, Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course</li> </ul> OR <ul style="list-style-type: none"> <li>• New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval</li> </ul>		

**Corporation Investment Dealer and Partially Consolidated Rules**

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

**Corporation Investment Dealer and Partially Consolidated Rules**

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority		
(v) <i>Registered Representative</i> dealing with <i>retail clients</i> or <i>institutional clients</i> dealing in <i>futures contracts</i> or <i>futures contract options</i>	<ul style="list-style-type: none"> <li>• Futures Licensing Course, and Conduct and Practices Handbook Course</li> <li>AND</li> <li>• Derivatives Fundamentals Course</li> <li>or</li> <li>• Derivatives Fundamentals and Options Licensing Course</li> <li>or</li> <li>• Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with the National Futures Association in a similar capacity and dealing in futures within three years before requesting approval</li> </ul>		
(vi) <i>Registered Representative</i> dealing in mutual funds only who is an <i>employee</i> of a firm registered as an investment dealer and not registered as a mutual fund dealer	<ul style="list-style-type: none"> <li>• Canadian Securities Course</li> <li>or</li> <li>• Canadian Investment Funds Course administered by the Investment Funds Institute of Canada</li> <li>or</li> <li>• Investment Funds in Canada Course</li> </ul>	<ul style="list-style-type: none"> <li>• Canadian Securities Course and Conduct and Practices Handbook Course within 270 days of initial approval, and</li> <li>• 90-day training program within 18 months of initial approval</li> </ul>	<ul style="list-style-type: none"> <li>• The <i>individual</i> must upgrade to <i>Registered Representative</i> within 18 months of initial approval</li> </ul>
(vii) <i>Registered Representative</i> dealing in mutual funds only who is an <i>employee</i> of a firm registered as both an investment dealer and a mutual fund dealer	<ul style="list-style-type: none"> <li>• Canadian Securities Course</li> <li>or</li> <li>• Canadian Investment Funds Course administered by the Investment Funds Institute of Canada</li> <li>or</li> <li>• Investment Funds in Canada Course</li> </ul>		<ul style="list-style-type: none"> <li>• Six months of supervision and supervisory reporting from initial approval date as <i>Registered Representative</i></li> </ul>



**Corporation Investment Dealer and Partially Consolidated Rules**

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>AND</p> <ul style="list-style-type: none"> <li>90-day training program after completion of the Canadian Securities Course or Canadian Investment Funds Course or Investment Funds in Canada Course</li> </ul> <p><del>AND</del>  <del>Conduct and Practices Handbook</del></p>		
<p>(viii) <i>Investment Representative</i> dealing with <i>retail clients</i> (other than <i>Investment Representatives</i> dealing in <i>options, futures contracts</i> and <i>futures contract options</i> or dealing in mutual funds only)</p>	<ul style="list-style-type: none"> <li>Canadian Securities Course, or Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course</li> </ul> <p>and</p> <p>30-day training program after completing the Canadian Securities Course or Level I or any higher level of the CFA Program. The <i>Dealer Member</i> must employ the applicant full-time during this program</p> <p>OR</p> <ul style="list-style-type: none"> <li>New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval</li> </ul>		<ul style="list-style-type: none"> <li>Six months of supervision and supervisory reporting from initial approval date as an <i>Investment Representative</i></li> </ul>
<p>(ix) <i>Investment Representative</i> dealing with <i>institutional clients</i> (other than <i>Investment Representatives</i> dealing in <i>options, futures contracts</i> and <i>futures contract options</i> or dealing in mutual funds only)</p>	<ul style="list-style-type: none"> <li>Canadian Securities Course, or Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course</li> </ul> <p>OR</p> <p>New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three</p>		

**Corporation Investment Dealer and Partially Consolidated Rules**

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

## Corporation Investment Dealer and Partially Consolidated Rules

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>in options within three years before requesting approval, and</p> <p>Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p>		
(xii) <i>Investment Representative</i> dealing in <i>futures contracts</i> or <i>futures contract options</i> with <i>retail or institutional clients</i>	<ul style="list-style-type: none"> <li>• Futures Licensing Course, and</li> <li>• Conduct and Practices Handbook Course</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• Derivatives Fundamentals Course</li> <li><b>or</b></li> <li>• Derivatives Fundamentals and Options Licensing Course</li> <li><b>or</b></li> <li>• Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) , if previously registered with the National Futures Association in a similar capacity and dealing in futures within three years before requesting approval</li> </ul>		
(xiii) <i>Investment Representative</i> dealing in mutual funds only who is an <i>employee</i> of a firm registered as an investment dealer and not registered as a mutual fund dealer	<ul style="list-style-type: none"> <li>• Canadian Securities Course</li> <li><b>or</b></li> <li>• Canadian Investment Funds Course administered by the Investment Funds Institute of Canada</li> <li><b>or</b></li> <li>• Investment Funds in Canada Course</li> </ul>	<ul style="list-style-type: none"> <li>• Canadian Securities Course and Conduct and Practices Handbook Course within 270 days of initial approval, and</li> <li>• 30-day training program within 18 months of initial approval</li> </ul>	<ul style="list-style-type: none"> <li>• The <i>individual</i> must upgrade to <i>Investment Representative</i> within 18 months of initial approval</li> </ul>
<b>Associate Portfolio Managers and Portfolio Managers</b>			
(xiv) <i>Associate Portfolio Managers</i> providing discretionary portfolio management for <i>managed accounts</i>	<ul style="list-style-type: none"> <li>• Conduct and Practices Handbook Course,</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• Canadian Investment Manager Designation</li> <li><b>or</b></li> </ul>		<ul style="list-style-type: none"> <li>• Two years of relevant investment management experience acceptable to the <i>Corporation</i> within three years</li> </ul>

**Corporation Investment Dealer and Partially Consolidated Rules**

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>Chartered Investment Manager Designation</p> <p><b>or</b></p> <p>CFA Level I or any higher level of the CFA Program administered by the CFA Institute</p> <p>AND</p> <p>If managing accounts in <i>options</i>:</p> <ul style="list-style-type: none"> <li>• Both the Derivatives Fundamentals Course and the Options Licensing Course</li> </ul> <p><b>or</b></p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p><b>or</b></p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in <i>options</i> within three years before requesting approval, and</p> <p>Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p> <p>AND</p> <p>If managing accounts in <i>futures contracts/futures contract options</i>,</p> <ul style="list-style-type: none"> <li>• Futures Licensing Course,</li> </ul> <p>AND</p> <p>Derivatives Fundamentals Course</p> <p><b>or</b></p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p><b>or</b></p> <p>Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) , if</p>		<p>before requesting approval</p>

**Corporation Investment Dealer and Partially Consolidated Rules**

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>previously registered with the National Futures Association in a similar capacity and dealing in futures within three years before requesting approval</p>		
<p>(xv) <i>Portfolio Managers</i> providing discretionary portfolio management for <i>managed accounts</i></p>	<ul style="list-style-type: none"> <li>• Conduct and Practices Handbook Course,</li> <li>AND</li> <li>Canadian Investment Manager Designation</li> <li><b>or</b></li> <li>Chartered Investment Manager Designation</li> <li><b>or</b></li> <li>CFA Charter administered by the CFA Institute</li> <li>AND</li> <li>If managing accounts in <i>options</i>:</li> <li>• Both the Derivatives Fundamentals Course and the Options Licensing Course</li> <li><b>or</b></li> <li>Derivatives Fundamentals and Options Licensing Course</li> <li><b>or</b></li> <li>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options within three years before requesting approval, and</li> <li>Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</li> <li>AND</li> <li>If managing accounts in <i>futures contracts/futures contract options</i>:</li> <li>• Futures Licensing Course</li> <li>AND</li> </ul>		<p>If Canadian Investment Manager Designation or Chartered Investment Manager Designation is completed:</p> <ul style="list-style-type: none"> <li>• at least four years of relevant investment management experience; one year of which was gained within the three years before requesting approval acceptable to the <i>Corporation</i></li> <li><b>or</b></li> <li>If CFA Charter is completed, at least one year of relevant investment management experience within the three years before requesting approval acceptable to the <i>Corporation</i></li> </ul>

## Corporation Investment Dealer and Partially Consolidated Rules

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<ul style="list-style-type: none"> <li>• Derivatives Fundamentals Course</li> <li><b>or</b></li> <li>Derivatives Fundamentals and Options Licensing Course</li> <li><b>or</b></li> <li>Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) if previously registered with National Futures Association in a similar capacity and dealing in futures within three years before requesting approval</li> </ul>		
<b>Traders</b>			
(xvi) <i>Trader</i>	<ul style="list-style-type: none"> <li>• Trader Training Course, unless otherwise determined by the <i>Marketplace</i> on which the <i>Trader</i> will be trading</li> </ul>		
(xvii) <i>Trader on the Montréal Exchange</i>	<ul style="list-style-type: none"> <li>• Proficiency requirements determined to be acceptable by the Montréal Exchange</li> </ul>		
<b>Supervisors – Retail or Institutional</b>			
(xviii) <i>Supervisor of Registered Representatives or Investment Representatives (other than supervising options or futures contracts and futures contract options)</i>	<ul style="list-style-type: none"> <li>• Investment Dealer Supervisors Course</li> <li>AND</li> <li>• Canadian Securities Course</li> <li><b>or</b></li> <li>CFA Level I or any higher level of the CFA Program administered by the CFA Institute and</li> <li>• Conduct and Practices Handbook Course</li> <li><b>or</b></li> <li>New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> or an investment dealer within three years before requesting approval</li> </ul>		<ul style="list-style-type: none"> <li>• Two years of relevant experience working for an investment dealer</li> <li><b>or</b></li> <li>Two years of relevant experience working for a Mutual Fund Dealer, portfolio manager or entity governed by a <i>recognized foreign self-regulatory organization</i></li> <li><b>or</b></li> <li>Such other equivalent experience acceptable to the <i>Corporation</i></li> </ul>

**Corporation Investment Dealer and Partially Consolidated Rules**

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
(xix) <i>Supervisor of Registered Representatives or Investment Representatives dealing with clients in options</i>	<ul style="list-style-type: none"> <li>• Options Supervisors Course, and Conduct and Practices Handbook Course</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• Both the Derivatives Fundamentals Course and the Options Licensing Course</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Derivatives Fundamentals and Options Licensing Course,</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority or an investment dealer and dealing in <i>options</i> within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</li> </ul>		<ul style="list-style-type: none"> <li>• Two years of relevant experience working for an investment dealer</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i></li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Such other equivalent experience acceptable to the <i>Corporation</i></li> </ul>
(xx) <i>Supervisor of Registered Representatives or Investment Representatives dealing with clients in futures contracts and futures contract options</i>	<ul style="list-style-type: none"> <li>• Canadian Commodity Supervisors Exam and Futures Licensing Course and Conduct and Practices Handbook Course</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• Derivatives Fundamentals Course</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Derivatives Fundamentals and Options Licensing Course</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with National</li> </ul>		<ul style="list-style-type: none"> <li>• Two years of relevant experience working for an investment dealer</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i></li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Such other equivalent experience acceptable to the <i>Corporation</i></li> </ul>

Corporation Investment Dealer and Partially Consolidated Rules

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	Futures Association or an investment dealer and dealing in futures within three years before requesting approval		
<b>Designated Supervisors</b>			
(xxi) <i>Supervisor</i> designated to be responsible for the opening of new accounts and supervision of account activity	<ul style="list-style-type: none"> <li>• Investment Dealer Supervisors Course</li> </ul>		<ul style="list-style-type: none"> <li>• Two years of relevant experience working for an investment dealer</li> <li><b>or</b></li> <li>Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i></li> <li><b>or</b></li> <li>Such other equivalent experience acceptable to the <i>Corporation</i></li> </ul>
(xxii) <i>Supervisor</i> designated to be responsible for the supervision of <i>discretionary accounts</i>	<ul style="list-style-type: none"> <li>• Investment Dealer Supervisors Course</li> </ul>		<ul style="list-style-type: none"> <li>• Two years of relevant experience working for an investment dealer</li> <li><b>or</b></li> <li>Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i></li> <li><b>or</b></li> <li>Such other equivalent experience acceptable to the <i>Corporation</i></li> </ul>
(xxiii) <i>Supervisor</i> designated to be responsible for the supervision of <i>managed accounts</i>	<ul style="list-style-type: none"> <li>• Canadian Investment Manager Designation</li> <li><b>or</b></li> <li>Chartered Investment Manager Designation</li> </ul>		<ul style="list-style-type: none"> <li>• If completed Canadian Investment Manager Designation or Chartered Investment Manager Designation:</li> </ul>



**Corporation Investment Dealer and Partially Consolidated Rules**

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p><b>or</b> CFA Charter administered by the CFA Institute</p> <p>AND</p> <ul style="list-style-type: none"> <li>If supervising accounts in <i>options</i>, the applicable proficiency requirements to trade and supervise <i>options</i>, as specified under clause 2602(3)(xix)</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>If supervising accounts in <i>futures contracts/futures contract options</i>, the applicable proficiencies to trade and supervise futures, as specified under clause 2602(3)(xx)</li> </ul>		<p>at least four years of relevant investment management experience; one year of which was gained within the three years before requesting approval</p> <p><b>or</b></p> <p>If completed CFA Charter:</p> <p>at least one year of relevant investment management experience within the three years before requesting approval</p>
(xxiv) <i>Supervisor</i> designated to be responsible for the supervision of <i>options</i> accounts	<ul style="list-style-type: none"> <li>Options Supervisors Course, and Both the Derivatives Fundamentals Course and the Options Licensing Course</li> </ul> <p><b>or</b></p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p><b>or</b></p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority or an investment dealer and dealing in options within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p>		<ul style="list-style-type: none"> <li>Two years of relevant experience working for an investment dealer <b>or</b> Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i></li> </ul> <p><b>or</b></p> <p>Such other equivalent experience acceptable to the <i>Corporation</i></p>
(xxv) <i>Supervisor</i> designated to be responsible for the supervision of <i>futures contract/futures contract options</i> accounts	<ul style="list-style-type: none"> <li>Canadian Commodity Supervisors Exam and Futures Licensing Course,</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>Derivatives Fundamentals Course</li> </ul> <p><b>or</b></p>		<ul style="list-style-type: none"> <li>Two years of relevant experience working for an investment dealer</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Two years of relevant supervisory or compliance experience working for an entity</li> </ul>

**Corporation Investment Dealer and Partially Consolidated Rules**

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	Derivatives Fundamentals and Options Licensing Course <b>or</b> Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) if previously registered with the National Futures Association or an investment dealer and dealing in futures within three years before requesting approval		governed by a <i>recognized foreign self-regulatory organization</i> <b>or</b> Such other equivalent experience acceptable to the <i>Corporation</i>
(xxvi) <i>Supervisor</i> designated to be responsible for the pre-approval of <i>advertising, sales literature and correspondence</i>	<ul style="list-style-type: none"> <li>• Investment Dealer Supervisors Course</li> </ul>		<ul style="list-style-type: none"> <li>• Two years of relevant experience working for an investment dealer  <b>or</b>                      Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i>  <b>or</b>                      Such other equivalent experience acceptable to the <i>Corporation</i></li> </ul>
(xxvii) <i>Supervisor</i> designated to be responsible for the supervision of <i>research reports</i>	<ul style="list-style-type: none"> <li>• Three levels of the CFA  <b>or</b>                      CFA Charter administered by the CFA Institute  <b>or</b>                      Other appropriate qualifications acceptable to the <i>Corporation</i></li> </ul>		<ul style="list-style-type: none"> <li>• Two years of relevant experience working for an investment dealer  <b>or</b>                      Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i>  <b>or</b>                      Such other equivalent experience</li> </ul>

**Corporation Investment Dealer and Partially Consolidated Rules**

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

**Corporation Investment Dealer and Partially Consolidated Rules**

Approved Persons category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	requirements in that category, AND • If seeking approval as a <i>Supervisor</i> , the applicable proficiency requirements in that category		
(xxxii) <i>Chief Compliance Officer</i>	• Partners, Directors and Senior Officers Course, and Chief Compliance Officers Qualifying Examination AND • If seeking approval in a trading or advising category, the applicable proficiency requirements in that category, AND If seeking approval as a <i>Supervisor</i> , the applicable proficiency requirements in that category		• Five years working for an investment dealer or registered advisor, with at least three years in a compliance or supervisory capacity <b>or</b> Three years providing professional services in the securities industry, with at least 12 months experience working at an investment dealer or registered advisor in a compliance or supervisory capacity
<b>Approved investor</b>			
(xxxiii) <i>approved investor</i> (under subsections 2555(2) and 2555(3))	• Partners, Directors and Senior Officers Course		

**2603. Permitted activities of mutual funds only Registered Representatives and Investment Representatives**

- (1) An applicant for approval, or an *individual* approved, as a *Registered Representative* dealing in mutual funds only, or an *Investment Representative* dealing in mutual funds only, will be also permitted to trade in exchange-traded funds that meet the definition of a mutual fund provided the *individual*:
- (i) was permitted to trade in exchange-traded funds within the 90 days prior to these Rules coming into effect, or
  - (ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):
    - (a) ~~Exchange Traded Funds~~ [the ETFs](#) for Mutual Fund Representatives [course administered by CSI Global Education Inc.](#), or
    - (b) [the](#) Exchange Traded Funds [course](#) administered by the Investment Funds Institute [of Canada](#), or

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- (c) [the](#) Exchange Traded Funds for Mutual Fund Representatives [course](#) administered by the Smarten Up Institute.
- (2) An applicant for approval, or an *individual* approved, as a *Registered Representative* dealing in mutual funds only, or an *Investment Representative* dealing in mutual funds only, will be also permitted to trade in exempt market products provided the *individual*:
- (i) was permitted to trade in exempt market products within the 90 days prior to these Rules coming into effect, or
  - (ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):
    - (a) the Exempt Markets ~~Products Exam~~ [Proficiency Course](#) administered by the [IFSE Institute](#), or
    - (b) the Canadian Securities Course, or
    - (c) Level ~~1 of the CFA or higher~~ [I](#) or any higher level of the CFA Program administered by [the CFA Institute](#).

(3) The following terms have the meaning set out below when used in subsection 2603(4):

<u>“alternative mutual fund”</u>	<a href="#">The same meaning as the definition in National Instrument 81-102, <i>Investment Funds</i>.</a>
<u>“bridge course”</u>	Either: (i) <a href="#">the Investing in Alternative Mutual Funds and Hedge Funds course administered by the IFSE Institute, or</a> (ii) <a href="#">the Hedge Funds and Liquid Alternatives for Mutual Fund Representatives course administered by CSI Global Education Inc.</a>

- (4) An applicant for approval, or an *individual* approved, as a *Registered Representative* dealing in mutual funds only, or an *Investment Representative* dealing in mutual funds only, will be also permitted to trade in alternative mutual funds provided the *individual*:
- (i) was permitted to trade in alternative mutual funds within the 90 days prior to these Rules coming into effect, or
  - (ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):
    - (a) the bridge course, or
    - (b) the Derivatives Fundamentals Course, or
    - (c) the Canadian Securities Course, or
    - (d) the courses required to be registered as a Portfolio Manager – Advising Representative pursuant to section 3.11 of National Instrument 31-103, *Registration Requirement, Exemptions and Ongoing Registrant Obligations*.

2604. – 2624. Reserved.

**PART B - EXEMPTIONS FROM PROFICIENCY REQUIREMENTS**

**2625. Specific exemptions**

- (1) A *Chief Compliance Officer* seeking approval as a *Supervisor* of a producing *Supervisor* will not be required to complete the proficiencies required under 2602(3)(xviii) for the purposes of being approved in this capacity, if the producing *Supervisor* is an *Approved Person* who is:
  - (i) a *Supervisor* of a *Registered Representative* or *Investment Representative* and
  - (ii) actively engaged as a *Registered Representative* dealing with *retail clients*.
- (2) An applicant seeking approval as a *Supervisor* in relation to activities of individuals approved to deal in mutual funds only, including those in subsections 2603(1) and 2603(2), is exempt from the pre-approval course requirements in clauses 2602(3)(xviii) and 2602(3)(xxi) provided the *individual*:
  - (i) was designated by a member of the Mutual Fund Dealers Association of Canada as a branch manager, within 90 days prior to these Rules coming into effect, or
  - (ii) has successfully completed the following within the timelines prescribed in subsection 2628(1):
    - (a) instead of the Canadian Securities Course, either the:
      - (I) Canadian Investment Funds Course administered by the Investment Funds Institute of Canada, or
      - (II) Investment Funds in Canada Course.
    - (b) instead of the Investment Dealers Supervisors Course, either the:
      - (I) Mutual Fund Branch Managers' Examination Course administered by the Investment Funds Institute of Canada, or
      - (II) Branch Compliance Officers Course.
- (3) With the exception of *individuals* who were required to transition to the Portfolio Manager and Associate Portfolio Manager approval categories, *individuals* approved prior to December 31, 2021 are exempt from any new proficiency requirements introduced as at December 31, 2021 in subsection 2602(3), provided the *Approved Person* continues in the same role.

**2626. General and discretionary exemptions**

- (1) The *Corporation* may exempt any *person* or class of *persons* from the requirement to write or rewrite any required course, in whole or in part, if the applicant demonstrates adequate experience, and/or successful completion of courses or examinations that the *Corporation*, in its opinion, determines is an acceptable alternative to the required proficiency.
- (2) This exemption may be subject to any terms and conditions the *Corporation* believes necessary.
- (3) The applicant must pay any fees prescribed by the *Board* for this exemption.

**2627. Exemptions from writing the required courses**

- (1) As set out in the table below, an applicant or *Approved Person* is exempt from writing a required course if the applicant meets the exemption criteria.

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Required course	Course required for exemption	Exemption criteria
90-day Training Program	<ul style="list-style-type: none"> <li>• none</li> </ul>	<p>Request approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for <i>retail clients</i> either:</p> <ul style="list-style-type: none"> <li>• by a recognized foreign regulatory authority or <i>recognized foreign self-regulatory organization</i>,</li> </ul> <p align="center"><b>or</b></p> <ul style="list-style-type: none"> <li>• as an advising representative by a Canadian <i>securities regulatory authority</i></li> </ul>
30-day Training Program	<ul style="list-style-type: none"> <li>• none</li> </ul>	<p>Request approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for <i>retail clients</i> either:</p> <ul style="list-style-type: none"> <li>• by a recognized foreign regulatory authority or <i>recognized foreign self-regulatory organization</i>,</li> </ul> <p align="center"><b>or</b></p> <ul style="list-style-type: none"> <li>• as an advising representative by a Canadian <i>securities regulatory authority</i></li> </ul>

**2628. Course validity and exemptions from rewriting courses**

- (1) Courses are valid for three years from the date of successful completion.
- (2) An applicant for approval must rewrite a course if the applicant has not been approved in a category listed in subsection 2602(3) requiring the course within the last three years.
- (3) The courses and examinations listed in Rule 2600 includes every prior or successor course or examination provided that it does not have a significantly reduced scope and content when compared to the course or examination listed in Rule 2600, as determined by the *Corporation*.
- (4) For the purposes of determining course validity, an *Approved Person* is not considered to have been approved during any period in which the *Approved Person's* approval was suspended or the *individual* was on leave or not conducting any activities requiring *Corporation* approval on behalf of the *Dealer Member*.
- (5) The validity periods do not apply to the Canadian Investment Manager Designation, the Chartered Investment Manager Designation and the CFA Charter provided the holders of these designations continue to have the right to use the designation and the designation has not been revoked or otherwise restricted.

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

Course	Individual's current status	Exemption criteria
Partners, Directors and Senior Officers Course	<ul style="list-style-type: none"> <li>has previously been approved as an <i>officer</i> (prior to September 28, 2009) and surrendered registration with the introduction of the <i>Corporation</i> approval category of <i>Executive</i></li> </ul>	<ul style="list-style-type: none"> <li>applicant for approval who has maintained continuous employment with a <i>Dealer Member</i> in a senior capacity and remained in the corporate registry of a <i>Dealer Member</i> as an <i>officer</i> since September 28, 2009</li> </ul>
Chief Financial Officers Qualifying Examination	<ul style="list-style-type: none"> <li>has never been approved as a <i>Chief Financial Officer</i></li> </ul>	<ul style="list-style-type: none"> <li>the applicant for approval has demonstrated to the <i>Corporation's</i> satisfaction that the applicant has been working closely with and assisting the <i>Chief Financial Officer</i> since the completion of the Chief Financial Officers Qualifying Examination</li> </ul>
Derivatives Fundamentals Course	<ul style="list-style-type: none"> <li>an applicant for approval or <i>Approved Person</i> who will be dealing with clients in <i>futures contracts</i>, or <i>futures contract options</i> or supervising <i>Approved Persons</i> who deal with such clients</li> </ul>	<ul style="list-style-type: none"> <li>applicant seeking approval or filing a notice within three years of passing the Futures Licensing Course or the Canadian Commodity Supervisors Exam</li> </ul>
Derivatives Fundamentals Course	<ul style="list-style-type: none"> <li>an applicant for approval or an <i>Approved Person</i> dealing with clients, in <i>options</i>, or supervising <i>Approved Persons</i> who deal with such clients</li> </ul>	<ul style="list-style-type: none"> <li>applicant seeking approval or filing a notice within three years of completing the Options Licensing Course or the Options Supervisors Course</li> </ul>
Wealth Management Essentials Course	<ul style="list-style-type: none"> <li>an applicant for approval or <i>Approved Person</i> who will be dealing with <i>retail clients</i> in securities</li> </ul>	<ul style="list-style-type: none"> <li>all three levels of the CFA Program or the CFA Charter administered by the CFA Institute which continues to be in good standing</li> </ul>
90-day Training Program	<ul style="list-style-type: none"> <li>an applicant for approval or <i>Approved Person</i></li> </ul>	Applicants seeking approval or filing a notice within three years



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Course	Individual's current status	Exemption criteria
		of being approved or registered in a capacity allowing trading of, or advising in, securities for <i>retail clients</i> either: <ul style="list-style-type: none"> <li>• by a recognized foreign regulatory authority or <i>recognized foreign self-regulatory organization</i>,</li> <li><b>or</b></li> <li>• as an advising representative by a <i>securities regulatory authority</i></li> </ul>
30-day Training Program	<ul style="list-style-type: none"> <li>• an applicant for approval or <i>Approved Person</i></li> </ul>	Applicants seeking approval or filing a notice within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for <i>retail clients</i> either: <ul style="list-style-type: none"> <li>• by a recognized foreign regulatory authority or <i>recognized foreign self-regulatory organization</i>,</li> <li><b>or</b></li> <li>• as an advising representative by a <i>securities regulatory authority</i></li> </ul>

**2629. Reserved**

**2630. Transition of Advising Representatives and Associate Advising Representatives into the Portfolio Manager and Associate Portfolio Manager approval category**

- (1) An *individual* registered as an advising representative or associate advising representative by a *securities regulatory authority* within the two weeks prior to the date of approval as a *Portfolio Manager* or *Associate Portfolio Manager* by ~~HRQ~~[The Corporation](#) has three months to complete the Conduct and Practices Handbook Course.
- (2) ~~HRQ~~[The Corporation](#) will:
  - (i) automatically suspend the approval of the *Portfolio Manager* or *Associate Portfolio Manager* if he or she does not complete the Conduct and Practices Handbook Course within the timeframe set out in 2630(1), and

- (ii) reinstate the *Portfolio Manager* or *Associate Portfolio Manager* once he or she has successfully completed the Conduct and Practices Handbook Course and has notified ~~HRG~~[the Corporation](#).

**PART C - TRANSITION PROVISIONS**

**2631. Transition of individuals dealing in mutual funds only**

- (1) For the purpose of complying with the requirements in clause 2602(3)(vi) ~~or clause 2602(3)(vii)~~ or clause 2602(3)(xiii),
  - (i) an *individual* approved as a *Registered Representative* dealing in mutual funds only, or an *Investment Representative* dealing in mutual funds only as of the date these Rules come into effect, will have 270 days to complete the Conduct and Practices Handbook Course (and, if required, the Canadian Securities Course) unless the *individual* is subject to a shorter period of time to complete this course (these courses) as of the date these Rules come into effect.
  - (ii) an *individual* approved as a dealing representative for a mutual fund dealer within 90 days prior to the date these Rules come into effect, will have 270 days from the date of approval as a *Registered Representative* dealing in mutual funds only, or an *Investment Representative* dealing in mutual funds only, to complete the Conduct and Practices Handbook Course.

**2632. – 2699. Reserved.**

**RULE 2700 | CONTINUING EDUCATION REQUIREMENTS FOR APPROVED PERSONS**

**2701. Introduction**

- (1) The *Corporation* requires *Approved Persons* to meet continuing education requirements to enhance and further develop their baseline licensing proficiencies.
- (2) Rule 2700 is divided into the following parts:
  - Part A – The continuing education program and continuing education requirements [sections 2703 and 2704]
  - Part B – Continuing education program courses and administration [sections 2715 through 2717]
  - Part C – Participation in the continuing education program [sections 2725 and 2726]
  - Part D – Changes during a continuing education program cycle [section 2735]
  - Part E – Discretionary relief [section 2745]
  - Part F – Penalties applicable to the continuing education requirements for *Approved Persons* [section 2755]

**2702. Definitions**

- (1) The following terms have the meaning set out below when used in sections 2703 through 2799:

“continuing education course”	A single, integrated course or series of relevant courses, seminars, programs or presentations that together meet the time and content requirements for continuing education set out in Rule 2700.
“continuing education participant”	An <i>Approved Person</i> approved in one or more of the categories set out in subsection 2704(1).
“continuing education program”	<del>HR</del> <a href="#">The Corporation</a> ’s continuing education program, consisting of compliance and professional development requirements.

**PART A - THE CONTINUING EDUCATION PROGRAM AND CONTINUING EDUCATION REQUIREMENTS**

**2703. The continuing education program**

- (1) The *continuing education program* consists of two parts:
  - (i) a compliance course, which is training covering ethical issues, regulatory developments and rules governing investment dealer conduct, and
  - (ii) a professional development course, which is training that fosters learning and development in areas relevant to investment dealer business.
- (2) The *continuing education program* operates in two year cycles. The first two year cycle commenced on January 1, 2018. The beginning and end of each *continuing education program* cycle is the same for all *continuing education participants*.

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- (3) A Dealer Member or external course provider may provide a *continuing education course*.
- (4) A Dealer Member or external course provider may submit continuing education courses for accreditation through ~~IIROC~~ [the Corporation](#)'s accreditation process.
- (5) A *continuing education participant* is exempt from the professional development course requirement if he or she:
  - (i) is approved in the category of *Registered Representative* or *Supervisor*, and
  - (ii) has been continuously approved in a trading capacity since January 1, 1990 or earlier by the Corporation, the Toronto Stock Exchange, the Montreal Exchange, or the TSX Venture Exchange including any of its predecessors.
- (6) A *continuing education participant* cannot receive continuing education credits for the same *continuing education course* unless the course has been updated to contain new course content, with the exception of ethics courses referred to in subsection 2715(3).

### 2704. Continuing education requirements

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

Approved Person Category	Client Type	Compliance course requirement	Professional development requirement
<i>Registered Representative</i>	<i>retail client</i>	Yes	Yes
<i>Registered Representative</i>	<i>institutional client</i>	Yes	No
<i>Investment Representative</i>	<i>retail client</i> or <i>institutional client</i>	Yes	No
<i>Portfolio Manager</i>	<i>retail client</i> or <i>institutional client</i>	Yes	Yes
<i>Associate Portfolio Manager</i>	<i>retail client</i> or <i>institutional client</i>	Yes	Yes
<i>Trader</i>	N/A	Yes	No
<i>Supervisor of Registered Representatives</i>	<i>retail client</i>	Yes	Yes
<i>Supervisor of Investment Representatives</i>	<i>retail client</i>	Yes	No
<i>Supervisor of Registered Representatives or Investment Representatives</i>	<i>institutional client</i>	Yes	No
<i>Supervisor designated to be responsible for the supervision of options accounts</i>	<i>retail client</i> or <i>institutional client</i>	Yes	No

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Approved Person Category	Client Type	Compliance course requirement	Professional development requirement
<i>Supervisor</i> designated to be responsible for the supervision of <i>futures contract/futures contract options</i> accounts	<i>retail client</i> or <i>institutional client</i>	Yes	No
<i>Supervisor</i> designated to be responsible for the supervision of <i>managed accounts</i>	<i>retail client</i> or <i>institutional client</i>	Yes	No
<i>Supervisor</i> designated to be responsible for the opening of new accounts and supervision of account activity	<i>retail client</i> or <i>institutional client</i>	Yes	No
<i>Supervisor</i> designated to be responsible for the supervision of <i>discretionary accounts</i>	<i>retail client</i> or <i>institutional client</i>	Yes	No
<i>Supervisor</i> designated to be responsible for the pre-approval of <i>advertising, sales literature</i> and <i>correspondence</i>	N/A	Yes	No
<i>Supervisor</i> designated to be responsible for the supervision of <i>research reports</i>	N/A	Yes	No
<i>Ultimate Designated Person</i>	N/A	Yes	No
<i>Chief Compliance Officer</i>	N/A	Yes	No

- (2) *Registered Representatives* dealing in mutual funds only who are an employee of a firm registered as both an investment dealer and a mutual fund dealer:
  - (i) are not subject to and do not need to comply with the *Registered Representative* continuing education requirements set out in subsection 2704(1), and
  - (ii) are subject to and must comply with the continuing education requirements for individuals registered as a dealing representative set out in Mutual Fund Dealer Rule 900.
- (3) A *continuing education participant* registered in more than one *Approved Person* category must meet the continuing education requirements of the category with the most onerous continuing education requirements.
- (4) All *continuing education participants* must complete at least 10 hours of compliance courses in each *continuing education program* cycle.
- (5) A *continuing education participant* that is subject to professional development requirements must complete at least 20 hours of professional development courses in each *continuing education program* cycle.

2705. – 2714. Reserved.

**PART B – CONTINUING EDUCATION PROGRAM COURSES AND ADMINISTRATION**

**2715. The compliance course**

- (1) *A continuing education participant:*
  - (i) cannot carry forward compliance course credits to satisfy continuing education requirements of a subsequent *continuing education program cycle*,
  - (ii) may receive continuing education credit for a compliance course with an examination, only if the *continuing education participant* successfully passes the examination, and
  - (iii) may receive continuing education credit of a maximum of five hours for compliance *continuing education courses* offered by a foreign securities dealer or foreign external course provider.
- (2) *A Dealer Member* may give continuing education credit for *Dealer Member* compliance manual training where:
  - (i) the content of the compliance manual training satisfies clause 2703(1)(i), and
  - (ii) the compliance manual training is delivered by the *Dealer Member* through in-person seminars, or webinars that are accompanied by a method of evaluation.
- (3) The *Corporation* will publish a list of approved ethics courses that a *continuing education participant* can repeat and count towards fulfillment of the compliance course requirement in two *continuing education program cycles*.

**2716. The professional development course**

- (1) *A continuing education participant* subject to the professional development requirement:
  - (i) may carry forward a maximum of 10 hours of a single professional development course completed in the last six months of the current *continuing education program cycle* to satisfy a portion of his or her professional development course requirement in the following *continuing education program cycle*,
  - (ii) may receive continuing education credit for successful completion of the Wealth Management Essentials Course, where completed to satisfy the post-licensing requirement for *Registered Representatives* dealing with *retail clients*, in the *continuing education program cycle* in which the course is completed, and
  - (iii) may receive continuing education credit for a professional development course with an examination, only if the *continuing education participant* successfully passes the examination.

**2717. Dealer Member's administration of the continuing education program**

- (1) *A Dealer Member* must:
  - (i) keep evidence of a *continuing education participant's* completion of the *continuing education course*, which may be a certificate issued by the course provider, an attendance sheet, or bulk notice of completion,

- (ii) verify completion of a *continuing education course* and keep *continuing education program records*, including course related materials, for each *continuing education program cycle* for a minimum of seven years following the end of the *continuing education program cycle*,
  - (iii) designate an *individual* responsible for supervising training and approving a *continuing education participant's* chosen *continuing education course*,
  - (iv) ensure that a *continuing education participant's* chosen *continuing education course* satisfies the content criteria described in subsection 2703(1),
  - (v) where the *continuing education course* is delivered by the *Dealer Member*, evaluate a *continuing education participant's* knowledge and understanding of the course,
  - (vi) ensure that each *continuing education participant* meets the continuing education requirements during each *continuing education program cycle*, and
  - (vii) update the continuing education reporting system and notify the *Corporation* within 10 *business days* after the end of the *continuing education program cycle* of all *continuing education participants* that have met their continuing education requirements in the *continuing education program cycle*.
- (2) A *Dealer Member* may allow a *continuing education participant* to use the continuing education credits earned through courses or seminars completed at the *continuing education participant's* former sponsoring *Dealer Member*. A *Dealer Member* may accept a statement of completion issued by the *continuing education participant's* former sponsoring *Dealer Member*.

**2718. – 2724. Reserved.**

## **PART C – PARTICIPATION IN THE CONTINUING EDUCATION PROGRAM**

### **2725. Participation of recently Approved Persons**

- (1) An *individual* enters the *continuing education program cycle* upon approval in an *Approved Person* category listed in subsection 2704(1).
- (2) Notwithstanding subsection 2725(1), an *individual* that receives approval in an *Approved Person* category listed in subsection 2704(1) during the last six months of the current *continuing education program cycle* will become subject to the applicable continuing education requirements at the beginning of the next *continuing education program cycle*.

### **2726. Voluntary participation in the continuing education program**

- (1) Voluntary participation in the *continuing education program* will extend the validity period of the Canadian Securities Course. This extension is valid until the end of the sixth month of the next *continuing education program cycle*.
- (2) The *Corporation* will publish a list of courses that qualify for voluntary participation in the *continuing education program*.
- (3) A former *Approved Person* may voluntarily participate in the *continuing education program* by completing a course or courses on the list referred to in subsection 2726(2).

- (4) To extend the validity period, a former *Approved Person* must complete the course or courses on the list referred to in subsection 2726(2) in the *continuing education program* cycle in which the Canadian Securities Course expired.
- (5) A former *Approved Person* may voluntarily participate in the *continuing education program* to extend the validity of the Canadian Securities Course for only one *continuing education program* cycle.

**2727. – 2734. Reserved.**

#### **PART D - CHANGES DURING A CONTINUING EDUCATION PROGRAM CYCLE**

##### **2735. Changes to Approved Persons category during a continuing education program cycle**

- (1) A *continuing education participant* who changes his or her *Approved Person* category during a *continuing education program* cycle must complete the continuing education requirements applicable to the new *Approved Person* category in the same *continuing education program* cycle.
- (2) Notwithstanding subsection 2735(1), a *continuing education participant* who changes his or her *Approved Person* category during the last six months of the current *continuing education program* cycle, becomes subject to the applicable continuing education requirements of the new *Approved Person* category at the beginning of the next *continuing education program* cycle.
- (3) A *continuing education participant* may not change *Approved Person* categories to avoid continuing education requirements or penalties for non-completion of continuing education requirements. Any change to the *Approved Person* category during the last six months of the *continuing education program* cycle which results in less onerous continuing education requirements must be accompanied by an explanation from the sponsoring *Dealer Member* sufficient to satisfy the *Corporation* that the category change is not an avoidance measure.

**2736. – 2744. Reserved.**

#### **PART E – DISCRETIONARY RELIEF**

##### **2745. Discretionary Relief**

- (1) The *Corporation* may extend the time a *continuing education participant* has to complete any *continuing education course* beyond the two year *continuing education program* cycle due to, but not limited to, an illness if:
  - (i) an *Executive* at the *continuing education participant's* sponsoring *Dealer Member*:
    - (a) approves the extension,
    - (b) notifies the *Corporation* of the reason for the extension, and
    - (c) proposes the new date of completion of the required course,
  - and
  - (ii) the *Corporation* approves the request for an extension.
- (2) In the case of an indefinite leave of absence, the *Corporation* may exempt from the *continuing education program* a *continuing education participant* who is unable to complete his or her continuing education requirements due to, but not limited to an illness, for more than one *continuing education program* cycle if:



- (i) an *Executive* at the *continuing education participant's* sponsoring *Dealer Member*:
  - (a) approves the exemption,
  - (b) notifies the *Corporation* of the reason for the exemption, and
  - (c) states that the leave is for an indefinite period,
- and
- (ii) the *Corporation* approves the request for an exemption.
- (3) A *continuing education participant* who is granted an exemption under subsection 2745(2) and returns to the industry after an absence of:
  - (i) three years or less must have the *Corporation* determine the continuing education requirements before he or she resumes any activity that needs approval, or
  - (ii) more than three years must meet the applicable proficiency and registration requirements for his or her *Approved Person* category.

**2746. – 2754. Reserved.**

**PART F - PENALTIES APPLICABLE TO THE CONTINUING EDUCATION REQUIREMENTS FOR APPROVED PERSONS**

**2755. Penalties for late filing or not completing continuing education requirements in a continuing education program cycle**

- (1) On the last *business day* of the first month of a *continuing education program cycle*, the *Corporation* will automatically suspend the approval of the *continuing education participant* if :
  - (i) a *continuing education participant* fails to complete the continuing education requirements for the previous *continuing education program cycle*, or
  - (ii) the sponsoring *Dealer Member* fails to update the continuing education reporting system and notify the *Corporation* as required by clause 2717(1)(vii).
- (2) A sponsoring *Dealer Member* that fails to comply with the requirements of clause 2717(1)(vii) will be liable for and pay the *Corporation* such fees as the *Board* may prescribe from time to time.
- (3) The *Corporation* may reinstate the *continuing education participant's* approval after the sponsoring *Dealer Member* has notified the *Corporation* in writing that the *continuing education participant* has completed the continuing education requirements.
- (4) If a sponsoring *Dealer Member* pays a fine in error, the *Corporation* will issue a refund provided the *Dealer Member* requests a refund within 120 days of the date the invoice is issued by the *Corporation*.

**2756. – 2799. Reserved.**

**RULE 2800 | THE NATIONAL REGISTRATION DATABASE**

**2801. Introduction**

- (1) A Dealer Member must participate in the National Registration Database (defined [in subsection 2802\(1\)](#)).
- (2) A Dealer Member must ensure timely and accurate filings on the National Registration Database.

**2802. Definitions**

- (1) The following terms have the meaning set out below when used in sections 2803 through 2808:

“authorized firm representative”	For a Dealer Member, an individual with his or her own National Registration Database user identification and who is authorized by the Dealer Member to submit information in National Registration Database format for that Dealer Member and individual applicants with respect to whom the Dealer Member is the sponsoring Dealer Member.
“chief authorized firm representative”	For a Dealer Member filer, an individual who is an authorized firm representative and has accepted an appointment as a chief authorized firm representative by the Dealer Member.
“National Registration Database”	The online electronic database of registration and approval information regarding Dealer Members, their registered or Approved Persons and other firms and individuals registered under securities laws, and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means including, any successor database.
“National Registration Database account”	An account with a member of the Canadian Payments Association from which fees may be paid with respect to National Registration Database by electronic pre-authorized debit.
“National Registration Database Administrator”	The Alberta Securities Commission or a successor appointed by the securities regulatory authorities to operate the National Registration Database.
“National Registration Database format”	The electronic format for submitting information through the National Registration Database website.
“National Registration Database submission”	The information that is submitted under securities laws, securities directions or under Rule 2800, in the National Registration Database format, or the act of submitting information under securities laws, securities directions or under Rule 2800, in the National Registration Database format, as the context requires.
“National Registration Database website”	The website operated by the National Registration Database Administrator for the National Registration Database submissions.

**2803. Dealer Member obligations for the National Registration Database**

- (1) A Dealer Member must, as prescribed by the applicable securities laws:
  - (i) enroll in the National Registration Database and pay the enrollment fee to the securities regulatory authority in the Dealer Member’s principal jurisdiction,
  - (ii) enroll, with the National Registration Database Administrator, only one chief authorized firm representative responsible for the Dealer Member’s National Registration Database filings,

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- (iii) notify the *National Registration Database Administrator*, of the appointment of a new *chief authorized firm representative* within seven days of the appointment,
  - (iv) notify the *National Registration Database Administrator*, of any change in name, phone number, fax number or email address of the *chief authorized firm representative* within seven days of the change,
  - (v) maintain only one *National Registration Database account*, and
  - (vi) submit through the *National Registration Database* any change of an *authorized firm representative* who is not the *chief authorized firm representative*, within seven days.
- (2) The following list describes the submission requirements as prescribed by *securities laws*.
- (i) A *Dealer Member* must make the following submissions using the *National Registration Database* on the *National Registration Database* form specified, [within the time period prescribed by National Instrument 33-109](#).

Type of submission	Form <del>and timeline for submission</del>
(a) an application for approval of an <i>individual</i> under any <i>Corporation requirement</i>	Form 33-109F4 - Registration of Individuals and Review of Permitted Individuals
(b) a notification of any change in the type of business which an <i>Approved Person</i> will conduct	Form 33-109F2 - Change or Surrender of Individual Categories
(c) (I) an application for different or additional approval under <i>Corporation requirements</i> for any <i>Approved Person</i> , (II) a surrender of existing approval	Form 33-109F2 - Change or Surrender of Individual Categories
(d) a report of a change of information regarding an <i>Approved Person</i> previously submitted in Form 33-109F4	Form 33-109F5 - Change of Registration Information, <del>within the time periods and manner prescribed in National Instrument 33-109 and 33-109CP.</del>
(e) an application for an exemption from a proficiency requirement of section 2602 for an <i>Approved Person</i> or applicant for approval	"Apply for an Exemption" submission on the <i>National Registration Database</i>
(f) a notification <del>of</del> <u>by</u> a <i>Dealer Member</i> <del>terminating of</del> <del>(I) the employment end of, or</del> <del>(II) principal or agent relationship with an</del> <u>employee's</u> <i>Approved Person status</i>	Form 33-109F1 - Notice of <del>Termination of Registered Individuals and Permitted Individuals. Items one through four of this form must be filed within 10 days of the cessation date. Item five must be filed within 30 days of cessation date unless the reason for termination under item four is that the individual is deceased.</del> <u>End of Individual Registration or Permitted Individual Status</u>
(g) a notification of a <i>business location</i> opening or closing under section 2202	Form 33- 109F3 - Business locations other than head office, <del>within 10 days of the opening or closing</del>
(h) a notification of change of address, type of location or supervision of any <i>business location</i>	Form 33-109F3 - Business locations other than head office, <del>within 10 days of the change</del>

Type of submission	Form and timeline for submission
(i) notification of reinstatement of <i>individual</i> approval.	Form 33-109F7 - Reinstatement of Registered Individuals and Permitted Individuals, <del>within 90 days of the cessation date from the previous sponsoring firm</del> (see section 2808 for eligible criteria before making this filing).

- (ii) Before filing a notice of change of business type under sub-clause 2803(2)(i)(b) above, an *Dealer Member* must notify the *Corporation* through the *National Registration Database* that either:
  - (a) the *Approved Person* has completed the necessary proficiency requirements under section 2602(3) to undertake the type of business, or
  - (b) the *Approved Person* has been granted an exemption from the proficiency requirements under sections 2625 through 2628.

**2804. Temporary hardship exemption**

- (1) A *Dealer Member* that cannot file a document in the *National Registration Database format* within the time required under subsection 2803(2) because of unexpected technical problems must submit the document outside of the *National Registration Database* within seven days of the required filing date.
- (2) When submitting outside of the *National Registration Database* under subsection 2804(1), the *Dealer Member* must include the following text at the top of the first page of the submission in capital letters:
 

“IN ACCORDANCE WITH SECTION 2804 OF THE CORPORATION INVESTMENT DEALER [AND PARTIALLY CONSOLIDATED](#) RULES AND PART 5 OF NATIONAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE, WE ARE SUBMITTING THIS [SPECIFY DOCUMENT] OUTSIDE OF NATIONAL REGISTRATION DATABASE UNDER A TEMPORARY HARDSHIP EXEMPTION.”
- (3) As soon as practicable, but within fourteen days after the unexpected technical problems have been fixed, a *Dealer Member* must resubmit using the *National Registration Database format* the information filed outside of the *National Registration Database* under subsection 2804(1).

**2805. Due diligence and record keeping**

- (1) A *Dealer Member* must make reasonable efforts to ensure that the information submitted through the *National Registration Database* is true and complete.
- (2) A *Dealer Member* must keep all documents used to meet its obligation under subsection 2805(1) for seven years after the *individual* ceases to be an *Approved Person* of the *Dealer Member*, or in any case when an *individual* who applied for approval was refused or withdrawn.
- (3) A *Dealer Member* must record the *National Registration Database submission* number on any document kept under subsection 2805(2).
- (4) For recently approved *individuals*, a *Dealer Member* must obtain, within 60 days of approval, a copy of the most recent Form 33-109F1 issued in respect of the *individual* by the former sponsoring *Dealer Member*.

**2806. Fees**

- (1) A Dealer Member must pay, the annual *National Registration Database* system fee set by the Corporation, to the securities regulatory authority in the local jurisdiction by electronic pre-authorized debit through the *National Registration Database*.
- (2) The following fees must be submitted as prescribed by securities laws and Corporation requirements:
  - (i) a Dealer Member making any *National Registration Database* submission under section 2803 must pay the prescribed fees for the submission, together with the *National Registration Database* system fee, to the securities regulatory authority in the Dealer Member's local jurisdiction for the use of the *National Registration Database*,
  - (ii) a Dealer Member must pay any prescribed fees for failure to file any notification within the time specified, and
  - (iii) a Dealer Member is required to pay all fees payable under section 2806 through its *National Registration Database* account by pre-authorized electronic debit.
- (3) A Dealer Member making an application for a proficiency exemption, for an *Approved Person* or applicant for approval, will be liable for and pay the Corporation an exemption request fee as prescribed from time to time by the Board.

**2807. ~~Termination~~ Cessation of Approved Person status**

- (1) A Dealer Member must notify the Corporation of the ~~termination~~cessation of an individual's status as an Approved Person, within the time period and the manner prescribed in National Instrument 33-109.
- (2) Approval of an individual will ~~be suspended by the Corporation~~end if:
  - (i) the individual ceases to be an *Approved Person* with a Dealer Member, or
  - (ii) the approved agency relationship with a Dealer Member is terminated.
- (3) A Dealer Member must, ~~within 10 days of~~ upon receiving a request from an individual that was its former *Approved Person*, provide to the individual a copy of the Form 33-109F1 that the Dealer Member submitted under subsection 2807(1) in respect of that individual, within the time period prescribed by National Instrument 33-109.
- (4) If a Dealer Member completed and submitted the information in item five of Form 33-109F1 in respect of an individual who made a request under subsection 2807(3) and that information was not included in the initial copy provided to the individual, the Dealer Member must provide to that individual a further copy of the completed Form 33-109F1, including the information in item five, within the ~~letter of:~~
  - (i) ~~10 days after the request by the individual under subsection 2807(3), and~~
  - (ii) ~~10 days after the submission pursuant to subsection 4.2(2)(b) of~~ time period prescribed by National Instrument 33-10933-109.

**2808. Reinstatement of ~~suspended~~ Approved Persons**

- (1) ~~The approval of an~~An individual may be reinstated in the same ~~Approved Person suspended under subsection 2807(2) will be reinstated by the Corporation on the date the Dealer Member submits~~category or categories by submitting a completed Form ~~33-109F7~~ if:
- ~~(i) 33-109F7, provided the conditions in~~ Form ~~33-109~~33-109F7 ~~is submitted within 90 days of the cessation date,~~and National Instrument 33-109 are satisfied.
  - ~~(ii) there has been no change to the information previously submitted in respect of regulatory, criminal, civil and financial disclosure (items 13 [other than 13.3(a)], 14, 15 and 16 of Form 33-109F4 respectively),~~
  - ~~(iii) the individual's employment or agency relationship with the former sponsoring Dealer Member did not end because the individual resigned voluntarily, was asked by the Dealer Member to resign or was dismissed, following an allegation against the individual of any of the following:~~
    - ~~(a) criminal activity,~~
    - ~~(b) a breach of securities laws, or~~
    - ~~(c) a breach of the rules of an SRO,~~
  - ~~(iv) the individual is seeking reinstatement with a sponsoring firm in one or more of the same categories in which the individual was approved on the cessation date, and~~
  - ~~(v) the new Dealer Member is registered in the same category (or subset thereof) of registration in which the individual's former Dealer Member was registered.~~

**2809. – 2999. Reserved.**

## RULE 3100 | DEALING WITH CLIENTS

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### 3101. Introduction

- (1) Rule 3100 sets out a *Dealer Member's* obligations with respect to their dealings with their clients. The requirements are intended to underpin the *Corporation's* objectives of maintaining investor confidence in securities markets and reinforcing a *Dealer Member's* responsibility to observe high standards of ethics and conduct in their dealings with clients.
- (2) Rule 3100 is divided into the following parts:
  - Part A – Business Conduct  
[section 3102]
  - Part B – Conflicts of interest  
[sections 3110 through 3118]
  - Part C – Best execution of client orders  
[sections 3119 through 3129]
  - Part D – Client identifiers  
[section 3140]

### PART A – BUSINESS CONDUCT

#### 3102. Business conduct

- (1) A *Dealer Member* must ensure that it handles its clients' business within the bounds of ethical conduct, consistent with just and equitable principles of trade, and in a manner that is not detrimental to the interests of the investing public and the securities industry.
- (2) A *Dealer Member* must take reasonable steps to ensure that all orders or recommendations for any account are within the bounds of good business practice.

#### 3103. – 3109. Reserved.

### PART B – CONFLICTS OF INTEREST

#### 3110. Responsibility to identify conflicts of interest

- (1) A *Dealer Member* must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable:
  - (i) between the *Dealer Member* and the client, and
  - (ii) between each *Approved Person* acting on the *Dealer Member's* behalf and the client.
- (2) An *Approved Person* must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, between the *Approved Person* and the client.
- (3) If an *Approved Person* identifies a material conflict of interest under subsection 3110(2), the *Approved Person* must promptly report that conflict of interest to the *Dealer Member*.

**3111. Approved Person responsibility to address conflicts of interest**

- (1) An *Approved Person* must address all material conflicts of interest between the client and the *Approved Person* in the best interest of the client.
- (2) An *Approved Person* must avoid any material conflict of interest between the client and the *Approved Person* if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) An *Approved Person* must not engage in any trading or advising activity in connection with a material conflict of interest identified by the *Approved Person* under subsection 3110(2) unless,
  - (i) the conflict has been addressed in the best interest of the client, and
  - (ii) the *Dealer Member* has given the *Approved Person* its consent to proceed with the activity.

**3112. Dealer Member responsibility to address conflicts of interest**

- (1) A *Dealer Member* must address all material conflicts of interest between the *Dealer Member* and the client, including each *Approved Person* acting on its behalf, in the best interest of the client.
- (2) A *Dealer Member* must avoid any material conflict of interest between the client and the *Dealer Member*, including each *Approved Person* acting on its behalf, if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) A *Dealer Member* must adequately supervise how all material conflicts of interest between the client and the *Approved Person* are addressed by its *Approved Persons* pursuant to section 3111.

**3113. Responsibility to disclose conflicts of interest**

- (1) A *Dealer Member* must disclose in writing all material conflicts of interest identified under subsections 3110(1) and 3110(2) to the client whose interests are affected by the conflicts of interest if a reasonable client would expect to be informed of those conflicts of interest.
- (2) The information required to be disclosed to the client under subsection 3113(1) must:
  - (i) include a description of:
    - (a) the nature and extent of the conflict of interest,
    - (b) the potential impact on and risk that the conflict of interest could pose to the client, and
    - (c) how the conflict of interest has been, or will be, addressed,
  - (ii) be presented in a manner that, to a reasonable person, is prominent, specific and written in plain language,
  - (iii) be disclosed:
    - (a) before opening an account for the client if the conflict has been identified at that time, or
    - (b) in a timely manner, upon identification of a conflict that must be disclosed under subsection 3113(1) that has not previously been disclosed to the client.



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- (3) For greater certainty, a *Dealer Member* and an *Approved Person* do not satisfy subsections 3111(1) or 3112(1) solely by providing disclosure to the client.

### 3114. Conflicts of interest policies and procedures

- (1) A *Dealer Member's* policies and procedures must specifically address identifying, disclosing and avoiding or otherwise addressing material conflict of interest situations.

### 3115. Personal financial dealings

- (1) An *employee* or *Approved Person* of a *Dealer Member* must not, directly or indirectly, engage in any personal financial dealings with clients.
- (2) Personal financial dealings include, but are not limited to, the following types of dealings:
  - (i) Accepting any consideration
    - (a) Except as described in paragraphs 3115(2)(i)(a)(I) and 3115(2)(i)(a)(II) accepting any consideration, including *remuneration*, gratuity or benefit, from any *person* other than the *Dealer Member* for any activities conducted on behalf of a client.
      - (I) Consideration that is non-monetary, of minimal value, and infrequent such that it will not cause a reasonable person to question whether it created a conflict of interest or otherwise improperly influenced the *Dealer Member* or its *employees* would not be considered to be consideration for the purposes of sub-clause 3115(2)(i)(a).
      - (II) Compensation received from a client in exchange for services provided through an approved outside **business** activity would not be considered to be consideration for the purpose of sub-clause 3115(2)(i)(a).
    - (ii) Settlement agreements without the *Dealer Member's* approval
      - (a) Entering into a settlement agreement without the *Dealer Member's* prior written consent, or
      - (b) Paying for client account losses out of personal funds without the *Dealer Member's* prior written consent.
    - (iii) Borrowing from clients
      - (a) Borrowing money or receiving a *guarantee* in relation to borrowing money, securities or any other assets from a client, unless:
        - (I) the client is a financial institution whose business includes lending money to the public and the borrowing is in the normal course of the institution's business, or
        - (II) the client is a Related Person as defined by the Income Tax Act (Canada) and the transaction is addressed in accordance with the *Dealer Member's* policies and procedures,and
        - (III) in the case of *Associate Portfolio Managers*, *Portfolio Managers*, *Investment Representatives* and *Registered Representatives*, the

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arrangement set out in paragraph 3115(2)(iii)(a)(II) is disclosed to and approved in writing by the *Dealer Member*, prior to the transaction.

- (iv) Lending to clients
  - (a) Lending money, or providing a *guarantee* in relation to a loan of money, securities or any other assets to a client, unless:
    - (I) the client is a Related Person as defined by the Income Tax Act (Canada) and the transaction complies with the *Dealer Member's* policies and procedures, and
    - (II) in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives* and *Registered Representatives*, the arrangement set out in paragraph 3115(2)(iv)(a)(I) is disclosed to and approved in writing by the *Dealer Member*, prior to the transaction.
  - (v) Control or authority
    - (a) Acting as a Power of Attorney, trustee, executor, or otherwise having full or partial control or authority over the financial affairs of a client, unless:
      - (I) the client is a Related Person as defined by the Income Tax Act (Canada) and the existence of such control is addressed in accordance with the *Dealer Member's* policies and procedures, and
      - (II) in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives* and *Registered Representatives*, the arrangement in paragraph 3115(2)(v)(a)(I) is disclosed to and approved in writing by the *Dealer Member*, prior to entering into the arrangement.
    - (b) In the case of *discretionary accounts* and *managed accounts*, paragraph 3115(2)(v)(a)(I) does not apply to the extent that the control or authority is solely exercised consistent with the terms of the *discretionary account* agreement or the *managed account* agreement, and with *Corporation requirements* for such accounts.

### 3116. Offering gratuity

- (1) A *Dealer Member* or any *Approved Person, employee* or shareholder of a *Dealer Member* must not give, offer, or agree to give or offer, directly or indirectly, a gratuity, advantage, benefit or any other consideration, in relation to any business of the client with the *Dealer Member*, to any partner, director, officer, employee, agent or shareholder of a client or any *associate* of such persons.
- (2) Subsection 3116(1) does not apply if the prior written consent of the client has been obtained.

### 3117. Mutual fund sales incentives

- (1) For purposes of section 3117, the term "non-cash sales incentive" includes, without limitation, domestic or foreign trips, goods, services, gratuities, advantages, benefits or any other non-cash compensation.

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- (2) *A Dealer Member, related company, partner, employee or Approved Person of the Dealer Member or related company, must not, directly or indirectly, accept or pay any non-cash sales incentive in connection with the sale or distribution of mutual fund products.*
- (3) The prohibition against non-cash mutual fund sales incentives in section 3117 does not apply to:
  - (i) non-cash sales incentives earned or awarded through a *Dealer Member's* internal incentive program for which eligibility is determined with respect to all services and products offered by the *Dealer Member*,
  - (ii) commissions or fees payable in cash and calculated with reference only to particular sales or volumes of sales of mutual fund,
  - (iii) service fees or trailing commissions,
  - (iv) cost of marketing materials, or
  - (v) normal and reasonable business promotion activities taking place where the recipient is employed or resides.

### 3118. Tied selling

- (1) *A Dealer Member must not require a client to purchase, use or invest in any product, service or security as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying, continuing to supply or selling a product, service or security.*
- (2) Subsection 3118(1) does not prohibit a *Dealer Member* from providing financial incentives or advantages such as relationship pricing or other beneficial selling arrangements, to clients.

## PART C – BEST EXECUTION OF CLIENT ORDERS

### 3119. Definitions

- (1) The following terms have the meaning set out below when used in sections 3119 through 3129:

“best execution”	Obtaining the most advantageous execution terms reasonably available under the circumstances.
“foreign exchange-traded security”	A security, other than a <i>listed security</i> , that is listed on a <i>foreign organized regulated market</i> .
“foreign organized regulated market”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.
“last sale price”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.
“Opening Order”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.
“over-the-counter securities”	<i>Debt securities</i> , contracts for difference and foreign exchange contracts, but does not include: <ol style="list-style-type: none"> <li>(i) <i>listed securities</i>,</li> <li>(ii) primary market transactions in securities, and</li> </ol>

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	(iii) over-the-counter <i>derivatives</i> with non-standardized contract terms that are customized to the needs of a particular client and for which there is no secondary market.
“Trading Rules”	The same meaning as set out in the Universal Market Integrity Rules, section 1.1.

### 3120. Best execution obligation

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

### 3121. Best execution factors

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

### 3122. Best execution process

- (1) The policies and procedures for *best execution* must specifically address the process for achieving *best execution* that includes the following:

- (i) for the execution of all client orders:
  - (a) requiring the *Dealer Member* to consider the instructions of a client, subject to its obligations under *Corporation requirements* and *securities laws*, and
  - (b) describing any material conflicts of interest that may arise when sending client orders for handling or execution and how these conflicts are to be managed,

and,

- (ii) for the execution of client orders for *listed securities* and *foreign exchange-traded securities* that trade on a *Marketplace*:
  - (a) describing the *Dealer Member's* order handling and routing practices for achieving *best execution*,
  - (b) taking into account order and trade information from all appropriate *Marketplaces*,
  - (c) the rationale for accessing or not accessing particular *Marketplaces*, and
  - (d) the circumstances under which a *Dealer Member* will move an order entered on one *Marketplace* to another *Marketplace*.

**3123. Non-executing Dealer Member best execution policies and procedures**

- (1) A *Dealer Member* that engages another *Dealer Member* to provide execution services on its behalf may include in its policies and procedures for *best execution* a link to the executing *Dealer Member's best execution* disclosure to comply with its obligations under clause 3122(1)(ii) and sections 3126 and 3129, provided that the non-executing *Dealer Member's* policies and procedures for *best execution* specifically address the following:
  - (i) the non-executing *Dealer Member* must conduct an initial review of the best execution disclosure of the executing *Dealer Member* and a review when material changes are made to the disclosure, to provide reasonable assurance that the executing *Dealer Member's* policies and procedures for *best execution* are complete and appropriate for its clients,
  - (ii) the non-executing *Dealer Member* must obtain an annual attestation from the executing *Dealer Member* that it has complied with and tested its policies and procedures on *best execution* in accordance with sections 3119 through 3129, and
  - (iii) the non-executing *Dealer Member* must follow-up with the executing *Dealer Member* if it identifies trade execution results that are inconsistent with the executing *Dealer Member's best execution* disclosure and document the results of its inquiry.

**3124. Sending orders in bulk to foreign intermediaries**

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

**3125. Fair pricing of over-the-counter securities**

- (1) A *Dealer Member* must not:
  - (i) purchase *over-the-counter securities* for its own account from a client or sell *over-the-counter securities* from its own account to a client except at an aggregate price (including any mark-up or mark-down) that is fair and reasonable, taking into consideration all relevant factors, including the following:
    - (a) the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction,
    - (b) the expense involved in effecting the transaction,
    - (c) the fact that the *Dealer Member* is entitled to a profit, and
    - (d) the total dollar amount of the transaction, and
  - (ii) purchase or sell *over-the-counter securities* as agent for a client for a commission or service charge in excess of a fair and reasonable amount, taking into consideration all relevant factors, including the following:
    - (a) the availability of the securities involved in the transaction,
    - (b) the expense of executing or filling the client order,
    - (c) the value of the services rendered by the *Dealer Member*, and
    - (d) the amount of any other compensation received or to be received by the *Dealer Member* in connection with the transaction.

**3126. Review of best execution policies and procedures**

- (1) A *Dealer Member* must review its *best execution* policies and procedures at least annually, and whenever there is a material change to the trading environment or market structure that may impact a *Dealer Member's* ability to achieve *best execution* for its clients. The *Dealer Member* must consider whether more frequent reviews of its policies and procedures on *best execution* are necessary based on the size and scope its business.
- (2) A *Dealer Member* must outline a process to review its policies and procedures on *best execution*, including a description of its governance structure, that specifies the following:
  - (i) who will conduct the review,
  - (ii) what information sources will be used,
  - (iii) the review procedures that will be employed,
  - (iv) a description of any specific events that will trigger a review in addition to annual reviews,
  - (v) how the *Dealer Member* evaluates whether its policies and procedures for *best execution* are effective in achieving *best execution*, and
  - (vi) who will receive reports of the results.
- (3) A *Dealer Member* must retain *records* of its reviews of its policies and procedures on *best execution*, including any material decisions made and any changes to them, in accordance with the record retention requirements in section 3803.
- (4) A *Dealer Member* must promptly correct any deficiencies identified in the course of its review of its policies and procedures on *best execution*.

**3127. Training**

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

**3128. Compliance with the Order Protection Rule**

- (1) Despite any instruction or consent of the client, *best execution* of a client order for *listed security* is subject to compliance with the Order Protection Rule under Part 6 of the *Trading Rules* by:
  - (i) the *Marketplace* on which the order is entered, or
  - (ii) the *Dealer Member*, if the *Dealer Member* has marked the order as a directed-action order in accordance with Universal Market Integrity Rule 6.2.

**3129. Disclosure of best execution policies**

- (1) A *Dealer Member* must disclose to its clients in writing the following:
  - (i) a description of the *Dealer Member's* obligation under section 3120,
  - (ii) a description of the factors the *Dealer Member* considers for the purpose of achieving *best execution*,
  - (iii) a description of the *Dealer Member's* order handling and routing practices intended to achieve *best execution* of client orders for listed securities, that include the following:
    - (a) the identity of any *Marketplace* to which the *Dealer Member* might route the client orders for handling or execution,
    - (b) the identity of each type of intermediary (domestic or foreign) to which the *Dealer Member* might route the client orders for handling or execution,
    - (c) the circumstances in which the *Dealer Member* might route client orders to a *Marketplace* or intermediary identified in sub-clause 3129(1)(iii)(a) or (b) above,
    - (d) the circumstances, if any, under which the *Dealer Member* will move a client order entered on one *Marketplace* to another *Marketplace*,
    - (e) the nature of any ownership by the *Dealer Member* or affiliated entity of the *Dealer Member* in, or arrangement with, any *Marketplace* or intermediary identified in sub-clause 3129(1)(iii)(a) or (b) above,
    - (f) if any client orders may be routed to an intermediary identified in sub-clause 3129(1)(iii)(b) above, pursuant to an arrangement with that intermediary, and
    - (g) a statement that client orders will be subject to the order handling and routing practices of the intermediary identified in sub-clause 3129 (1)(iii)(b) above,
  - (iv) a statement that the *Dealer Member* has reviewed the client order handling and routing practices of the intermediary identified pursuant to sub-clause 3129(1)(iii)(b) and is satisfied that it provides reasonable assurance of achieving *best execution* of client orders,

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- (v) a statement as to:
    - (a) whether fees are paid by the *Dealer Member* or payments or other compensation is received by the *Dealer Member* for a client order routed, or a trade resulting from a client order routed, to a *Marketplace* or intermediary identified pursuant to sub-clause 3129(1)(iii)(a) or (b) above,
    - (b) the circumstances under which the costs associated with the fees paid by the *Dealer Member* or the compensation received by the *Dealer Member* will be passed on to the client, and
    - (c) whether routing decisions are made based on fees paid by the *Dealer Member* or payments received by the *Dealer Member*,
  - and,
  - (vi) if providing market data as a service to clients, a description of any market data that is missing, including an explanation of the risks of trading with incomplete trading data.
- (2) A *Dealer Member* must provide separate disclosure for each class or type of client if the factors and order handling and routing practices used for such clients materially differ.
  - (3) A *Dealer Member* must identify in the disclosure:
    - (i) the class or type of client to which the disclosure applies,
    - (ii) the class or type of securities to which the disclosure applies, and
    - (iii) the date of the most recent changes to the disclosure.
  - (4) A *Dealer Member* must make the disclosure:
    - (i) publicly available on the *Dealer Member's* website and clearly identify to clients where on the website the disclosure can be found, or
    - (ii) if the *Dealer Member* does not have a website, provide the disclosure in writing to the client upon account opening.
  - (5) A *Dealer Member* must:
    - (i) review the disclosure on a frequency that is reasonable in the circumstances, and at a minimum on an annual basis, and
    - (ii) promptly update the disclosure to reflect the *Dealer Member's* current practices.
  - (6) If a *Dealer Member* makes any change to the disclosure, the *Dealer Member* must:
    - (i) for the website disclosure, identify and maintain the change on its website for a period of six months after the change has been made, or
    - (ii) if the *Dealer Member* does not have a website, deliver the change to the client in writing no later than the 90th day after the change has been made.



**3130. – 3139. Reserved.**

**PART D: CLIENT IDENTIFIERS**

**3140. Identifying clients of a Non-Executing Dealer Member**

- (1) Where a non-executing *Dealer Member* is not acting for an *order execution only account* and sends an order in a *listed security* to an executing *Dealer Member* for execution on a *Marketplace* for which the *Corporation* is the regulation services provider, the non-executing *Dealer Member* must include:
  - (i) an identifier for the client for or on behalf of whom the order is entered, in the form of:
    - (a) a *Legal Entity Identifier* for an order for an account supervised under Part D of Rule 3900,
    - (b) an account number for all other client orders not included under sub-clause 3140(1)(i)(a);
  - (ii) the *Legal Entity Identifier* of the non-executing *Dealer Member* that is not a *Participant*.
- (2) Where a non-executing *Dealer Member* is not acting for an *order execution only account* and groups together orders from more than one client or account type for execution on a *Marketplace* for which the *Corporation* is the regulation services provider:
  - (i) sub-clause 3140(1)(i) does not apply, and
  - (ii) the non-executing *Dealer Member* must provide to the executing *Dealer Member* that the order is part of:
    - (a) a *bundled order*,
    - or
    - (b) a *multiple client order*.
- (3) The non-executing *Dealer Member* that is not acting for an *order execution only account* and is not a *Participant* must ensure that the registration status of its *Legal Entity Identifier* has not lapsed.

**3141. – 3199. Reserved.**

**RULE 3200 | KNOW-YOUR-CLIENT AND CLIENT ACCOUNTS**

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**3201. Introduction**

- (1) Rule 3200 sets out *Dealer Members'* obligations when opening new accounts and maintaining existing accounts. Rule 3200 is divided into seven parts as follows:
  - Part A – Know-Your-Client and Client Identification Requirements:
    - sets out *Dealer Members'* obligation to know and identify each client and to learn and remain informed of the essential facts about each client, account and order accepted.  
[sections 3202 through 3209]
  - Part B – Requirements for Client Accounts:
    - sets out the general account opening and updating procedures that, subject to certain exceptions specified within the requirements, are applicable to all accounts.  
[sections 3210 through 3222]
  - Part C – Advisory Accounts:
    - sets out requirements that apply where the account is an *advisory account*.  
[section 3230]
  - Part D – Order Execution Only Accounts:
    - sets out requirements that apply where the account is an *order execution only account*.  
[sections 3240 and 3241]
  - Part E – Margin Accounts:
    - sets out requirements that apply where the account is a margin account.  
[sections 3245 through 3247]
  - Part F – Additional Account Opening Requirements for Options, Futures Contract and Futures Contract Options Trading:
    - sets out additional account opening and updating procedures for *options, futures contracts* and *futures contract options* trading accounts.  
[sections 3250 through 3260]
  - Part G – Discretionary Accounts and Managed Accounts:
    - sets out requirements that apply where the account is either a *discretionary account* or a *managed account*.  
[sections 3270 through 3281]
- (2) Rule 3200 applies to *Dealer Members* in addition to all other *Corporation requirements*. No part of Rule 3200, unless otherwise specified, shall be interpreted to grant a *Dealer Member* an exemption for complying with other *Corporation requirements*.
- (3) The following terms have the meaning set out below when used in Part A – Know-Your-Client and Client Identification Requirements and Part B – Requirements for Client Accounts:

"financial exploitation"	means the use or control of, or deprivation of the use or control of, a financial asset of an <i>individual</i> by a <i>person</i> through undue influence, unlawful conduct
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	or another wrongful act.
“trusted contact person”	means an <i>individual</i> identified by a client to a <i>Dealer Member</i> or <i>Approved Person</i> whom the <i>Dealer Member</i> or <i>Approved Person</i> may contact in accordance with the client’s written consent.
“vulnerable client”	means a client who might have an illness, impairment, disability or aging-process limitation that places the client at risk of <i>financial exploitation</i> .

- (4) The following terms have the meaning set out below when used in Part D – Order Execution Only Accounts:

“adviser”	means a <i>person</i> that is not an <i>individual</i> and is registered as an adviser in accordance with <i>securities laws</i> .
“foreign adviser equivalent”	means a <i>person</i> that is not an <i>individual</i> and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an <i>adviser</i> .

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

#### 3202. Know Your-Client

- (1) A *Dealer Member* must take reasonable steps to learn and remain informed of the essential facts relative to every order, account and client it accepts, and to:
  - (i) establish the identity of a client and, if the *Dealer Member* has any cause for concern, make reasonable inquiries as to the reputation of the client,
  - (ii) establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded,
  - (iii) ensure it has collected sufficient information regarding all of the following to enable it to meet its obligations under Rule 3400:
    - (a) the client’s:
      - (I) personal circumstances,
      - (II) financial circumstances,
      - (III) investment needs and objectives,
      - (IV) investment knowledge,
      - (V) risk profile, and
      - (VI) investment time horizon, and
    - (iv) establish the creditworthiness of the client if the *Dealer Member* is financing the client’s acquisition of a security.
- (2) A *Dealer Member* must complete an account application for each new client in accordance with the requirements set out in Rule 3200.
- (3) Within a reasonable time after receiving the information collected under subsection 3202(1), a *Dealer Member* must take reasonable steps to have a client confirm the accuracy of such information.
- (4) Concurrently with taking the reasonable steps under clause 3202(1) a *Dealer Member* must take reasonable steps to obtain from the client the name and contact information of a *trusted contact person*, and the written consent of the client for the *Dealer Member* to contact the *trusted contact person*.

*person* to confirm or make inquiries about any of the following:

- (i) the *Dealer Member's* concerns about possible *financial exploitation* of the client,
  - (ii) the *Dealer Member's* concerns about the client's mental capacity as it relates to the ability of the client to make decisions involving financial matters,
  - (iii) the name and contact information of a legal representative of the client, if any,
  - (iv) the client's contact information.
- (5) Subsection 3202(4) does not apply to a *Dealer Member* in respect of a client that is not an *individual*.

**3203. Identifying partnerships or trusts**

- (1) When opening an initial account for a partnership or trust, a *Dealer Member* must:
- (i) in the case of a trust, obtain the names and addresses of all trustees and all known beneficiaries and settlors of the trust,
  - (ii) establish the existence of the partnership or trust and the nature of its business,
  - (iii) in accordance with the requirements set out in section 3206 establish the identity of each *individual* that exercises control over the affairs of the partnership or trust, and
  - (iv) not open a partnership or trust account unless it first obtains the information referred to in clause 3203(1)(iii) and determines whether the *individuals* described in clause 3203(1)(iii) and, in the case of a trust, any of the known beneficiaries of more than 10% of the trust are insiders of a reporting issuer or any other issuer whose securities are publicly traded.

**3204. Identifying corporations**

- (1) When opening an initial account for a corporation, a *Dealer Member* must:
- (i) obtain the names of all directors of the corporation within 30 days of opening the account,
  - (ii) establish the existence of the corporation and the nature of its business,
  - (iii) in accordance with the requirements set out in section 3206, establish the identity of any *individual* who is the *beneficial owner*, or exercises direct or indirect control or direction, of 25% or more of the voting rights attached to the outstanding voting securities of the corporation, and
  - (iv) not open an account unless it identifies any such *individual beneficial owners* required under clause 3204(1)(iii) and determines whether one or more of them are insiders of a reporting issuer or any other issuer whose securities are publicly traded.

**3205. Prohibition on shell banks**

- (1) A *Dealer Member* must not open or maintain an account for a shell bank, which is defined as a bank that does not have a physical presence in any country.
- (2) Subsection 3205(1) does not apply to a bank that is an *affiliate* of a bank, loan or trust company, credit union, or other depository institution with a physical presence in Canada or in a foreign country in which the institution is subject to supervision by a banking or other similar regulatory authority.

**3206. Establishing identity**

- (1) For each *beneficial owner* or *individual* described in subsections 3203(1)(iii) and 3204(1)(iii), the *Dealer Member* must establish the identity of such *individual* by using such methods that allow the *Dealer Member* to form a reasonable belief it knows the identity of the *individual* and by taking reasonable measures to confirm the accuracy of the information obtained.
- (2) The *Dealer Member* shall keep a record that sets out the information obtained and the measures to confirm the accuracy of that information.
- (3) The identity of such *individual* in subsection 3206(1) must be established as soon as practicable but not more than 30 days after opening the account.
- (4) If the identity of such *individual* referred to in subsection 3206(1) cannot be established within 30 days of opening an account, the *Dealer Member* must restrict the account solely to liquidating trades, transfers, paying out funds or delivering securities. These account restrictions must remain in place until the *Dealer Member* establishes the *individual's* identity.

**3207. Identification exceptions**

- (1) Sections 3203, 3204 and 3206 do not apply to:
  - (i) An entity registered under *securities laws* to:
    - (a) engage in the business of trading or advising in securities, or
    - (b) act as an investment fund manager,
  - (ii) an investment fund that is regulated under *securities laws*,
  - (iii) a Canadian financial institution (as described in sub-section 3207(2) below),
  - (iv) an *affiliate* of a Canadian financial institution (as described in sub-section 3207(2) below), if that *affiliate* carries out activities similar to that Canadian financial institution,
  - (v) a Schedule III bank,
  - (vi) a pension fund that is regulated by or under an Act of Parliament or the legislature of a province,
  - (vii) an entity that is a Canadian public body, or a corporation that has minimum net assets of \$75 million on its last audited balance sheet and whose shares are traded on a Canadian stock exchange or a stock exchange designated under section 262(1) of the Income Tax Act (Canada), and operates in a country that is a member of the Financial Action Task Force. For the purpose of clause 3207(1)(vii), the term “stock exchange” has the same interpretation as used in the Income Tax Act (Canada), or
  - (viii) an entity that is an *affiliate* of a public body or a corporation referred to in paragraph (vii) above and the financial statements of the entity are consolidated with the financial statements of that public body or corporation.
- (2) A Canadian financial institution includes:
  - (i) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each

case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada.

**3208. Exemptions from Know-Your-Client**

- (1) Clause 3202(1)(iii) and subsection 3209(4) do not apply in respect to:
  - (i) an *order execution only account*,
  - (ii) a *direct electronic access account*,
  - (iii) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account, or
  - (iv) an account held by an *institutional client*.

**3209. Primary responsibility, delegation and obligation to keep current**

- (1) Compliance with the *Corporation requirements* relating to know-your-client is primarily the responsibility of the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the client account.
- (2) The responsibility in subsection 3209(1) must not be delegated to any other *person*.
- (3) A *Dealer Member* must take reasonable steps to keep current the information required under Part A of Rule 3200, including updating the information within a reasonable time after the *Dealer Member* becomes aware of a significant change in the client’s information required under section 3202.
- (4) A *Dealer Member* must review the information collected under clause 3202(1)(iii) no less frequently than once every 36 months, except for a *managed account* and a *discretionary account* which must be reviewed no less frequently than once every 12 months.

**PART B – REQUIREMENTS FOR CLIENT ACCOUNTS**

**3210. Definitions**

- (1) The following term has the meaning set out below when used in Rule 3200:

“Client account records”	Any information, disclosure statement or agreement the <i>Dealer Member</i> is required to provide to or obtain from the client in accordance with <i>Corporation requirements</i> or <i>applicable laws</i> including, but not limited to, the following: <ul style="list-style-type: none"> <li>(i) documentation supporting the conclusion that the client’s identity has been verified,</li> <li>(ii) documentation supporting the account appropriateness assessment,</li> <li>(iii) know-your-client information collected in accordance with <i>Corporation requirements</i>, and</li> <li>(iv) the client’s account application.</li> </ul>
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**3211. Account appropriateness**

- (1) Before a *Dealer Member* opens an account for a *person*, the *Dealer Member* must determine, on a reasonable basis and putting the *person’s* interest first, that:
  - (i) this action is appropriate for the *person*, and

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- (ii) the scope of products, services and account relationships which the *person* would have access to within the account are appropriate for the *person*.
- (2) Clause 3211(1)(ii) does not apply in respect to:
  - (i) an *order execution only account*, or
  - (ii) a *direct electronic access account*.
- (3) Subsection 3211(1) does not apply in respect to:
  - (i) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account, or
  - (ii) an account held by a *Dealer Member*, *regulated entity*, exempt market dealer, portfolio manager, bank, trust company or insurance company.

### 3212. Account information

- (1) For each account, the *Dealer Member* must obtain and maintain the applicable *client account records*.
- (2) For each *institutional client*, the *Dealer Member* must verify that the client qualifies as an *institutional client*.
- (3) The *Dealer Member* must record the account number on the account application.
- (4) Where accounts are received by the *Dealer Member* from an affiliated *Dealer Member* or an affiliated *Mutual Fund Dealer Member*, the *Dealer Member* may use the documentation maintained by the *affiliate* firm to meet the requirement in subsection 3212(1) provided:
  - (i) the account offering and investment products and services to be made available to the client at the *Dealer Member* are materially the same as those at the *affiliate* firm,
  - (ii) the following fees and charges associated with the account offering and investment products and services are the same or lower as those at the *affiliate* firm:
    - (a) account service fees and charges the client will or may incur relating to the general operation of the account, and
    - (b) charges the client will or may incur in making, disposing and holding investment products,
  - (iii) the know-your-client information collected by the *Dealer Member* and the approach used by the *Dealer Member* to assess the know-your-client information collected are materially the same as at the *affiliate* firm, and
  - (iv) the *affiliate* firm account agreement has an acceptable assignment clause that in substance protects the client's interests in the same manner as if the client had signed a new account agreement with the *Dealer Member*.

### 3213. Account opening policies and procedures

- (1) A *Dealer Member's* policies and procedures must specifically address:
  - (i) collecting and maintaining accurate, complete and up-to-date information about each client and updating that information where there are significant changes, and

- (ii) ensuring the completion of *client account records* when opening new accounts.
- (2) A *Dealer Member* must:
  - (i) have policies and procedures to specifically address that documents supporting *client account records* are received within a reasonable time after opening an account,
  - (ii) have a system for recording pending account documentation and following up where it is not received within a reasonable time,
  - (iii) take specific action to obtain required documents that have not been received within 25 *business days* of opening the account, unless a shorter period is prescribed,
  - (iv) have policies and procedures independent of the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* for verifying significant changes to client information, and
  - (v) have a system in place to record the review and approval by the *designated Supervisor*.

**3214. Opening new client accounts**

- (1) A *Dealer Member* may only assign an account number to a new account if the full and accurate name and address of the client who holds the account is known to the *Dealer Member*; the complete account application must be received no later than the following *business day*.
- (2) The *designated Supervisor* must not approve a new account unless all *client account records* have been collected.
- (3) A *designated Supervisor* must approve each new account no later than one *business day* after completing the initial trade for the account.
- (4) A *Dealer Member* may use an alternative procedure to approve new accounts on an interim basis, provided the *designated Supervisor* provides final approval no later than one *business day* after the initial trade.
- (5) If a *designated Supervisor* does not approve a new account after the initial trade, the *Dealer Member* must restrict the account to only liquidating trades, transfers out, paying out funds or delivering securities to the client. These account restrictions must remain in place until the *designated Supervisor* has provided final approval of the account.
- (6) Before opening a new account for an *employee* of another *Dealer Member*, the *Dealer Member* must obtain written approval from the other *Dealer Member*, and must designate the account as *non-client account*.

**3215. Updating client accounts**

- (1) The *Dealer Member's* policies and procedures must specifically address that any significant changes to client information are approved in the same manner that an account application is approved for a new account.
- (2) If a client's *Registered Representative, Portfolio Manager or Associate Portfolio Manager* changes, the *Dealer Member's* procedures must require that:
  - (i) the new *Registered Representative, Portfolio Manager or Associate Portfolio Manager* verify the client information in the account application with the client as soon as practicable to ensure the information is correct, and



- (ii) the new *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* and the *designated Supervisor* acknowledge, in writing, that the account application was reviewed and, if necessary, updated.
- (3) Subject to subsection 3215(4), if the client's account application was approved within the past 36 months, the *Dealer Member* may use a copy of a client's current account application to record any changes to a client's information, but must have the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* and their *Supervisor* initial any changes.
- (4) If the client's *managed account* or *discretionary account* application was approved within the past 12 months, the *Dealer Member* may use a copy of a client's current *managed account* or *discretionary account* application to record any changes to a client's information, but must have the *Portfolio Manager* or *Associate Portfolio Manager* and their *Supervisor* initial any changes.
- (5) The *Dealer Member* must restrict the access of *Registered Representatives, Portfolio Managers* and *Associate Portfolio Managers* and other *persons* to its systems in such a manner so as to ensure that material client information cannot be changed without the required approval.

### 3216. Relationship Disclosure

- (1) Objective of relationship disclosure requirements

This section establishes the minimum requirements for the provision of relationship disclosure information to *retail clients*. *Dealer Members* are not required to provide relationship disclosure to *institutional clients*.

Relationship disclosure information is a written communication from the *Dealer Member* to the client describing the products and services offered by the *Dealer Member*, the nature of the account and the manner in which the account will operate and the responsibilities of the *Dealer Member* to the client.

- (2) Frequency of provision of relationship disclosure information

Relationship disclosure information must be provided to each *retail client*:

- (i) at the time of opening an account or accounts, and
- (ii) when there is a significant change to the relationship disclosure information previously provided to the client.

- (3) Form of relationship disclosure information

- (i) *Dealer Members* have the choice of providing customized relationship disclosure information to each client, or appropriate standardized relationship disclosure information to separate classes of clients.
- (ii) Where standardized relationship disclosure information is provided to the client, the *Dealer Member* must ensure that the disclosure is appropriate for the client. The relationship disclosure information must accurately describe the account relationship the client has entered into with the *Dealer Member*.
- (iii) Where a client has more than one account, combined relationship disclosure information may be provided to the client as long as the *Dealer Member* determines that the combined disclosure is appropriate for the client in light of the relevant circumstances, including the nature of the various accounts.

- (4) Format of relationship disclosure information
- (i) The format of the relationship disclosure information is not prescribed but must:
    - (a) be provided to the client in writing,
    - (b) be written in plain language that communicates the information to the client in a meaningful way, and
    - (c) include all the required content set out in subsection 3216(5), or, where specific information has otherwise been provided to the client by the *Dealer Member*, a general description and a reference to the other disclosure materials containing the required information.
  - (ii) *Dealer Members* may choose to provide the relationship disclosure information as a separate document or to integrate it with other account opening materials.
- (5) Content of relationship disclosure information
- (i) The relationship disclosure information must be entitled “Relationship Disclosure”.
  - (ii) Subject to clause 3216(5)(iii), the relationship disclosure information must contain the following:
    - (a) a general description of the types of products and services the *Dealer Member* will offer to the client including:
      - (I) a description of the restrictions on the client’s ability to liquidate or resell a security, and
      - (II) a statement of the investment fund management expense fees or other ongoing fees the client may incur in connection with a security or service the *Dealer Member* provides,
    - (b) a general description of any limits on the products and services the *Dealer Member* will offer to the client including:
      - (I) whether the firm will primarily or exclusively provide proprietary products to the client, and
      - (II) whether there will be other limits on the availability of products or services,
    - (c) a description of the account relationship that states:
      - (I) whether the account opened is an *advisory account*, a *managed account* or an *order execution only account*,
      - (II) whether the client is responsible for making investment decisions and, if so, the manner in which the client will instruct the *Dealer Member* to effect transactions for the account, and
      - (III) whether recommendations or advice will be provided to the client and, if so, the responsibilities and obligations of the *Dealer Member* and its *employees* for any recommendations or advice provided to the client,
    - (d) a description of the process used by the *Dealer Member* to determine suitability, including:
      - (I) a description of the approach used by the *Dealer Member* to assess the client’s personal and financial circumstances, investment needs and objectives, investment time horizon, risk profile and investment knowledge,

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- (II) a statement that the client will be provided with a copy of the “know-your-client” information that is obtained from the client and documented at time of account opening and when there are significant changes to the information,
- (III) a statement that the *Dealer Member* will determine that any investment action it takes, recommends or decides on, for the client is suitable for the client and puts the client’s interest first, including when:
  - (A) securities are received into or delivered out of the client’s account by way of deposit, withdrawal or transfer,
  - (B) there is a change in the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* responsible for the account,
  - (C) the *Dealer Member* becomes aware of a change in the *retail client’s* information collected in accordance with subsection 3202(1) that could result in the *retail client’s* account not satisfying subsection 3402(1),
  - (D) the *Dealer Member* becomes aware of a change in a security in the *retail client’s* account that could result in the account not satisfying subsection 3402(1), or
  - (E) the *Dealer Member* reviews the *retail client’s* information in accordance with subsection 3209(4),
- (IV) a statement indicating whether or not the suitability of the investments held in the account will be reviewed in the case of other triggering events not described in paragraph 3216(5)(ii)(d)(III) and, in particular, in the event of significant market fluctuations,
- (e) a description of the client account reporting that the *Dealer Member* will provide, including:
  - (I) a statement indicating when trade confirmations and account statements will be sent to the client,
  - (II) a description of the *Dealer Member’s* minimum obligations to provide performance information to the client and a statement indicating when account position cost and account activity information will be provided to the client, and
  - (III) a statement indicating whether or not the provision of account percentage return information will be an option available to the client as part of the account service offering,
- (f) a statement indicating that any *Dealer Member* and *Approved Person* existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, which are not avoided, will be addressed in the best interest of the client and will be disclosed, where required, to the client in a timely manner, upon identification of the conflict,
- (g) a general description of any benefits received, or expected to be received, by the *Dealer Member* or the *Approved Person*, from a *person* or company other than the *Dealer Member’s* client, in connection with the client’s purchase or ownership of a security through the *Dealer Member*,

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- (h) a description of all account service fees and charges the client will or may incur relating to the general operation of the account,
  - (i) a description of all charges the client will or may incur in making, disposing and holding investments by type of investment product,
  - (j) a general explanation of the potential impact on a client's investment returns from each of the fees and charges described in 3216(5)(ii)(a)(II), and 3216(5)(ii)(h) and (i), including the effect of compounding over time,
  - (k) a listing of the account documents required to be provided to the client with respect to the account,
  - (l) a description of the *Dealer Member's* complaint handling procedures and a statement that the client will be provided with a copy of a *Corporation* approved complaint handling process brochure at time of account opening,
  - (m) a general explanation of how investment performance benchmarks might be used to assess the performance of a client's investments and any options for benchmark information that might be made available to the client by the *Dealer Member*,
  - (n) a description of the circumstances under which a *Dealer Member* might disclose information about the client or the client's account to a *trusted contact person* referred to in subsection 3202(4), and
  - (o) a general explanation of the circumstances under which a *Dealer Member* or *Approved Person* may place a *temporary hold* under section 3222 and a description of the notice that will be given to the client if a *temporary hold* is placed or continued under that section.
- (iii) For *order execution only accounts*, the *Dealer Member* does not have to provide the relationship disclosure information required under sub-clause 3216(5)(ii)(d), provided that disclosure is made in compliance with the requirements in section 3241.
- (6) Review of relationship disclosure materials
- (i) The relationship disclosure information provided to the client must be approved by a partner, *Director*, *officer* or *designated Supervisor*. This approval must occur regardless of the form the relationship disclosure information takes. If the document is a standardized document, the *designated Supervisor* must ensure that the correct document is used in each client circumstance. If the relationship disclosure information is a customized for each client, the *designated Supervisor* must approve each document.

### 3217. Leverage risk disclosure statement

- (1) When opening a new account for a *retail client*, prior to making an initial recommendation to a *retail client* to purchase securities using borrowed money, or when first becoming aware of a *retail client's* intention to purchase securities using borrowed money, a *Dealer Member* must:
- (i) provide each *retail client* with a copy of the leverage risk disclosure statement, and
  - (ii) obtain the *retail client's* positive acknowledgement that they are in receipt of the disclosure statement referred to in clause 3217(1)(i).

- (2) A *Dealer Member* is not required to comply with subsection 3217(1) where it has provided the *retail client* with a leverage risk disclosure statement in accordance with subsection 3217(1) within the last six months.
- (3) A leverage risk disclosure statement must be in substantially the following words:

“Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.”

**3218. Pre-trade disclosure of charges**

- (1) Before a *Dealer Member* accepts an instruction from a *retail client* to purchase or sell a security in an account other than a *managed account*, the *Dealer Member* must disclose to the client:
  - (i) the charges the client will be required to pay, directly or indirectly, in respect of the purchase or sale, or a reasonable estimate if the actual amount of the charges is not known to the firm at the time of disclosure,
  - (ii) in the case of a purchase to which deferred charges apply, that the client might be required to pay a deferred sales charge on the subsequent sale of the security and the fee schedule that will apply,
  - (iii) whether the firm will receive trailing commissions in respect of the security, and
  - (iv) whether there are any investment fund management expense fees or other ongoing fees that the client may incur in connection with the security.
- (2) Subsection 3218(1) does not apply to a *Dealer Member* in respect of an instruction involving:
  - (i) a client for whom the *Dealer Member* purchases or sells securities only as directed by a registered adviser acting for the client.

**3219. Client mail**

- (1) A *Dealer Member's* hold-mail account procedures for *retail clients* must, at a minimum, include the following provisions:
  - (i) a requirement that the *Dealer Member* obtain written authorization from the client to “hold mail”,
  - (ii) a requirement that limits the length of time that a “hold mail” order may remain in force for no longer than six months, in any 12 month period, and
  - (iii) a rule requiring the control and regular review of “hold mail” accounts by a *Supervisor*.
- (2) Notwithstanding clause 3219(1)(ii), a longer period may be used if:
  - (i) it is permitted by the *Dealer Member's* policies and procedures,
  - (ii) the *Dealer Member* has policies and procedures that specifically address the close supervision of such accounts, and
  - (iii) the appropriate *Supervisor* pre-approves the extended period.
- (3) A *Dealer Member's* returned mail procedures for *retail clients* must at a minimum include the following provisions:

- (i) a rule requiring the control and investigation by a *person* independent of the sales function, but may be located within a *business location*, and
- (ii) a rule requiring that a record of all investigations and their results be maintained.

**3220. Record keeping**

- (1) A *Dealer Member* must maintain *records* for each account that includes:
  - (i) *client account records*,
  - (ii) the name and address of the account guarantor, if applicable, and
  - (iii) a signed trading authorization from the account holder authorizing a *person*, other than the account holder, to give trading instructions for the account, if applicable.
- (2) The *Registered Representative, Portfolio Manager or Associate Portfolio Manager* responsible for an account must retain a current copy of each account application. This requirement can be satisfied by a *Dealer Member* maintaining the information in an electronic application accessible to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager*.
- (3) A *Dealer Member* must maintain all *client account records* in accordance with the record retention requirements in section 3803.
- (4) A *Dealer Member* must maintain a record of *persons* with trading authorization over one or more client accounts and must ensure that such record is sufficient to allow the *Dealer Member* to identify any *persons* with trading authorization for multiple clients or client accounts.

**3221. Prohibition against discretionary trading**

- (1) For the purposes of Rule 3200, a *Dealer Member* must ensure that *individuals* trading on its behalf do not engage in any discretionary trading, including time and price discretion, unless discretion is exercised in a *discretionary account or managed account* in accordance with the requirements set out in Part G of Rule 3200.
- (2) Subsection 3221(1) does not apply to time and price discretion exercised in fulfilling the *Dealer Member's best execution* obligation relating to a client order for a specific amount or a specific security.

**3222. Conditions for temporary holds**

- (1) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of *financial exploitation* of a *vulnerable client*, unless the *Dealer Member* reasonably believes all of the following:
  - (i) the client is a *vulnerable client*,
  - (ii) *financial exploitation* of the client has occurred, is occurring, has been attempted or will be attempted.
- (2) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of a client's lack of mental capacity unless the *Dealer Member* reasonably believes that the client does not have the mental capacity to make decisions involving financial matters.
- (3) If a *Dealer Member* or an *Approved Person* places a temporary hold referred to in subsection 3222(1) or subsection 3222(2), the *Dealer Member* must do all of the following:

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- (i) document the facts and reasons that caused the *Dealer Member* or *Approved Person* to place, and if applicable, to continue the *temporary hold*,
- (ii) provide notice of the *temporary hold* and the reasons for the *temporary hold* to the client as soon as possible after placing the *temporary hold*,
- (iii) review the relevant facts as soon as possible after placing the *temporary hold*, and on a reasonably frequent basis, to determine if continuing the hold is appropriate,
- (iv) within 30 days of placing the *temporary hold* and, until the hold is revoked, within every subsequent 30-day period, do either of the following:
  - (a) revoke the *temporary hold*,
  - (b) provide the client with notice of the *Dealer Member's* decision to continue the hold and the reasons for that decision.

**3223. – 3229. Reserved.**

### PART C – ADVISORY ACCOUNTS

#### 3230. Rules applicable to advisory accounts

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens an *advisory account* for a *retail client* must comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens an *advisory account* for an *institutional client* must:
  - (i) comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200, with the exception of sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.

**3231. – 3239. Reserved.**

### PART D – ORDER EXECUTION ONLY ACCOUNTS

#### 3240. Rules applicable to order execution only accounts

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens an *order execution only account* for a *retail client* must comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens an *order execution only account* for an *institutional client* must:
  - (i) comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200, with the exception of sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.

#### 3241. Order execution only account services

- (1) A *Dealer Member* approved by the *Corporation* to provide *order execution only account* services within either a separate legal entity or a separate business unit, must:

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- (i) implement the policies and procedures required by *Corporation requirements*, and
  - (ii) not allow its *order execution only account* service clients to:
    - (a) use their own automated order system, as defined in *securities laws*, to generate orders to be sent to the *Dealer Member* or send orders to the *Dealer Member* on a pre-determined basis, or
    - (b) manually send orders or generate orders to the *Dealer Member* that exceed the threshold on the number of orders as set by the *Corporation* from time to time,
  - (iii) not provide *order execution only account* services to any *person* that is not an *individual* and is acting as and, registered or exempted from registration as a dealer in accordance with *securities laws*, and trades on a *Marketplace* for which the *Corporation* is the regulation services provider.
- (2) Despite clause 3241(1)(iii), a *Dealer Member* may provide an *order execution only account* service to a *person* that is exempted from registration as a dealer under section 8.4 of National Instrument 31-103.
- (3) A *Dealer Member* approved by the *Corporation* to provide *order execution only account* services must, prior to opening an *order execution only account*:
- (i) provide the following written disclosures to the client:
    - (a) a statement confirming that the *Dealer Member* will not provide any recommendations to the client and that the client is solely responsible for making all investment decisions in the *order execution only account*,
    - (b) a statement confirming that the *Dealer Member* will not be responsible for making a suitability determination for the client, as set out in sections 3402 or 3403 (other than as required by clauses 3402(3)(i) and 3403(4)(i)), and, in particular, that the *Dealer Member* will not consider the client's personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon, nor other similar factors, and
    - (c) a statement confirming that the *Dealer Member* will not be responsible for making a determination that the products and account types offered by the *Dealer Member* in the *order execution only account* are appropriate for the client,and
  - (ii) obtain a positive acknowledgement from the client, and each beneficial owner of the account, confirming that the client, and each beneficial owner, has received and understood the disclosures described in clause 3241(3)(i).
- (4) The *Dealer Member* must maintain, in an accessible form, a record of the acknowledgement obtained under clause 3241(3)(ii) in the following form:
- (i) the client's signature or initials on a new client form or other document, specifically related to the disclosure and acknowledgement,
  - (ii) an electronic acknowledgement attached to the disclosure and acknowledgement text, or
  - (iii) a tape recording of a verbal acknowledgement.
- (5) The *Dealer Member* must ensure that a client identifier is assigned to each client that trades on a *Marketplace* for which the *Corporation* is the regulation services provider whose trading activity



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on *Marketplaces* for which the *Corporation* is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month.

- (6) The *Dealer Member* must ensure that a unique identifier is assigned to any *adviser* that trades on a *Marketplace* for which the *Corporation* is the regulation services provider and that:
  - (i) is itself a *client* of the *Dealer Member*, or
  - (ii) has been granted trading authority, direction or control over an account of a *client* of the *Dealer Member*.
- (7) The *Dealer Member* must ensure that a unique identifier is assigned to any *foreign adviser equivalent* that trades on a *Marketplace* for which the *Corporation* is the regulation services provider and that:
  - (i) is itself a *client* of the *Dealer Member*, or
  - (ii) has been granted trading authority, direction or control over an account of a *client* of the *Dealer Member*.
- (8) The client identifier required in subsection 3241(5), clause 3241(6)(i) and clause 3241(7)(i) must be in the form of:
  - (i) a *Legal Entity Identifier* for clients eligible to receive a *Legal Entity Identifier* under the standards set by the *Global Legal Entity Identifier System*, or
  - (ii) an account number for all other client orders not included under subsection 3241(5), clause 3241(6)(i) and clause 3241(7)(i).
- (9) If an account number is used as the client identifier under clause 3241(8)(ii), the *Dealer Member* must provide the account number and the name of the corresponding client to the *Corporation*.
- (10) The *Dealer Member* must provide each unique identifier assigned pursuant to clause 3241(6)(ii) and clause 3241(7)(ii) and the name of the corresponding firm to the *Corporation*.
- (11) For clients using an *order execution only account* that are not referred to under subsection 3241(5), clause 3241(6)(i), or clause 3241(7)(i), the *Dealer Member* must use an account number as the client identifier.
- (12) The *Dealer Member* must ensure that each order in a listed security entered on a *Marketplace* for which the *Corporation* is the regulation services provider contains:
  - (i) the *Legal Entity Identifier* of the *Dealer Member* if it is a non-executing *Dealer Member* that is not a *Participant*, and
  - (ii) a designation to indicate the order is for an *order execution only account*.
- (13) The *Dealer Member* must ensure that each order in a *listed security* entered on a *Marketplace* for which the *Corporation* is the regulation services provider contains either:
  - (i) the identifier required under subsection 3241(5), clause 3241(6)(i), clause 3241(7)(i) or subsection 3241(11), or
  - (ii) a designation to indicate the order is a *bundled order* or a *multiple client order*.
- (14) The *Dealer Member* must ensure that each order entered on a *Marketplace* for which the *Corporation* is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to clause 3241(6)(i) or clause 3241(7)(i) contains the unique identifier assigned to that firm.

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- (15) The *Dealer Member* must ensure that each order entered on a *Marketplace* for which the *Corporation* is the regulation services provider by or on behalf of an account over which an *adviser* or *foreign adviser equivalent* has been granted trading authority, direction or control and an identifier was assigned pursuant to clause 3241(6)(ii) or clause 3241(7)(ii) contains the identifier assigned to that firm.
- (16) Despite the requirement to include a client identifier assigned under subsection 3241(5) on an order sent to a *Marketplace*:
  - (i) if an *adviser* is assigned a unique identifier pursuant to clause 3241(6)(ii), each order entered by or on behalf of an account, over which that *adviser* has been granted trading authority, direction or control, on a *Marketplace* for which the *Corporation* is the regulation services provider must contain the unique identifier assigned to that *adviser*, or
  - (ii) if a *foreign adviser equivalent* is assigned a unique identifier pursuant to clause 3241(7)(ii), each order entered by or on behalf of an account over which that *foreign adviser equivalent* has been granted trading authority, direction or control, on a *Marketplace* for which the *Corporation* is the regulation services provider must contain the unique identifier assigned to that *foreign adviser equivalent*.
- (17) The non-executing *Dealer Member* that is not a *Participant* must ensure that the registration status of its *Legal Entity Identifier* has not lapsed.
- (18) A *Dealer Member* approved by the *Corporation* to provide *order execution only account* services within either a separate legal entity or a separate business unit, must ensure that:
  - (i) its order-entry systems and records are capable of labeling all account documentation, including monthly statements and confirmations, as “order execution only accounts” or other similar phrase, and
  - (ii) the client monthly statements of its *order execution only account* services are not consolidated with any other client account statements, including those of any other business unit of the *Dealer Member* or of the *Dealer Member* itself.

**3242. – 3244. Reserved.**

### **PART E – MARGIN ACCOUNTS**

#### **3245. Rules applicable to margin accounts**

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens a margin account for a *retail client* must comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens a margin account for an *institutional client* must:
  - (i) comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200, with the exception of sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.

**3246. Margin requirements - when to extend margin to clients**

- (1) In deciding whether to allow a client to trade on margin, a *Dealer Member* must ensure that the client is aware of the risks and benefits associated with trading on margin.

**3247. Margin account agreement**

- (1) Prior to opening a margin account, a *Dealer Member* must:
  - (i) deliver a margin account agreement to the client, and
  - (ii) obtain a copy of the margin account agreement signed by the client.
- (2) A *Dealer Member's* margin account agreement must, at a minimum, contain a written description of the following rights and obligations:
  - (i) the client's obligation to pay their indebtedness to the *Dealer Member* and to maintain adequate margin,
  - (ii) the client's obligation to pay interest on debit balances in their account,
  - (iii) the *Dealer Member's* right to raise money on and pledge assets held in the client's account,
  - (iv) the extent to which the *Dealer Member* has the right to use *free credit balances* in the client's account for its own business or to cover debits in the same or other accounts,
  - (v) the *Dealer Member's* right to sell assets in the client's account and make purchases to cover short sales. If the client requires prior notice, the *Dealer Member* must set out the nature of the notice and the client's obligations to remedy any deficiency,
  - (vi) the extent of the *Dealer Member's* right, if any, to use a security in the client's account for delivery against a short sale,
  - (vii) the extent to which the *Dealer Member* has the right, if any, to use a security in the client's account for delivery against a short sale in an account owned or controlled by the *Dealer Member*, a partner or *Director*,
  - (viii) the extent of the *Dealer Member's* right to use assets in the client's account and to hold them as collateral for the client's debt, and
  - (ix) the *Dealer Member's* obligation to carry out all transactions in accordance with *Corporation requirements* and, where applicable, the requirements of the marketplace on which the transaction has been executed.

**3248. – 3249. Reserved.**

**PART F – ADDITIONAL ACCOUNT OPENING AND UPDATING PROCEDURES FOR OPTIONS, FUTURES CONTRACT AND FUTURES CONTRACT OPTIONS TRADING**

**3250. Rules applicable to options, futures contracts and futures contract options trading accounts**

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens a *options, futures contract* and *futures contract options* trading accounts for a *retail client* must comply with the requirements in Parts A, B and F of Rule 3200, and if applicable, Parts C, D, E and G of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens an *options, futures contract* and *futures contract options* trading accounts for an *institutional client* must:

- (i) comply with the requirements in Parts A, B and F of Rule 3200, and if applicable, Parts C, D, E and G of Rule 3200, with the exception of sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.
- (3) A *Dealer Member* must ensure that *persons* trading on its behalf or advising clients in *options*, *futures contracts* and *futures contract options* trading accounts meet minimum proficiency requirements.

**3251. Reserved.**

**OPTIONS ACCOUNTS**

**3252. Additional requirements when opening an options account**

- (1) Before entering an initial *options* trade in an account, a *Dealer Member* must:
  - (i) obtain a completed *options* account application from the client,
  - (ii) obtain a signed *options* trading agreement from the client,
  - (iii) provide the client with the most recent *options* disclosure statement or similar disclosure document, and
  - (iv) record the *designated Supervisor's* approval of each client account in writing.
- (2) The *designated Supervisor* must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon and puts the client's interest first. If they are not, the *designated Supervisor* should restrict the account from using inappropriate strategies and note on the *option* account approval any trading restrictions imposed and communicate those restrictions to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the account.

**3253. Options trading agreement**

- (1) A *Dealer Member's options* trading agreement must define the rights and obligations of the *Dealer Member* and the client and, at a minimum, must include the following:
  - (i) the time periods during which the *Dealer Member* accepts orders for execution,
  - (ii) the *Dealer Member's* right to exercise discretion in accepting orders,
  - (iii) the *Dealer Member's* obligations when errors and omissions occur,
  - (iv) the method for distributing exercise assignment notices,
  - (v) the *Dealer Member's* deadlines for a client to submit an exercise notice,
  - (vi) a notice that:
    - (a) the *Dealer Member* may set maximum limits on short positions,
    - (b) the *Dealer Member* may apply cash-only terms during the last 10 days before expiry, and
    - (c) the *Corporation* may impose other rules affecting existing or subsequent transactions.
  - (vii) the client's obligation to instruct the *Dealer Member* to close positions before expiry,

- (viii) the client's obligation to comply with *Corporation requirements* and any entity's requirements through which the *options* is traded, cleared, or issued, including, without limitation, complying with position and exercise limits,
- (ix) the client's positive acknowledgement of receiving the current *options* disclosure statement, and
- (x) any other matter required by an *options* trading, clearing or issuing entity.

**3254. Letter of undertaking**

- (1) Instead of an *options* trading agreement, a *Dealer Member* may obtain a letter of undertaking for accounts where the client is:
  - (i) an *acceptable institution*,
  - (ii) an *acceptable counterparty*, or
  - (iii) a *regulated entity*.
- (2) The letter of undertaking must state that the client agrees to abide by *Corporation requirements* and the requirements of any entity through which *options* are traded or, cleared or issued, including, compliance with position and exercise limits.

**3255. Options disclosure statement**

- (1) A *Dealer Member* must:
  - (i) provide each *options* client with the current *options* disclosure statement or other similar document, approved by the *Corporation* before accepting an initial *options* order from the client,
  - (ii) obtain the client's positive acknowledgement of receipt of the *options* disclosure statement or similar document described in clause 3255(1)(i),
  - (iii) provide each *options* client with any amendments to the *options* disclosure statement or similar document, as approved by the *Corporation*, and
  - (iv) maintain a record of the names and addresses of all clients to whom it has provided an *options* disclosure statement, or similar document, including any amendments and the date on which they were provided.

**3256. Position and exercise limits**

- (1) A *Dealer Member* must comply with the requirements of any entity through which it trades or clears an *option*.
- (2) A *Dealer Member* must comply with the position and exercise limits that apply under subsection 3256(1).

**FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS ACCOUNTS**

**3257. Additional requirements when opening a futures contract or futures contract option account**

- (1) Before entering an initial *futures contract* or *futures contract option* trade in an account, a *Dealer Member* must:
  - (i) obtain a completed *futures contract* account application or *futures contract options* account application from the client,

- (ii) obtain a signed *futures contract* or *futures contract option* trading agreement from the client,
  - (iii) provide the client with the most recent futures disclosure statement or similar statement, and
  - (iv) record the *designated Supervisor's* approval in writing.
- (2) The *designated Supervisor* must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon and puts the client's interest first. If they are not, the *designated Supervisor* should restrict the account from using inappropriate strategies and note, on the *futures contract* account application or the *futures contract option* application, any trading restrictions imposed and communicate those restrictions to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the account.

**3258. Futures contract and futures contract option trading agreement**

- (1) A *Dealer Member's* *futures contract* and *futures contract option* trading agreement must define the rights and obligations of the *Dealer Member* and the client and, at a minimum, must include the following:
- (i) the time periods during which the *Dealer Member* accepts orders for execution,
  - (ii) the *Dealer Member's* right to exercise discretion in accepting orders,
  - (iii) the *Dealer Member's* obligations when errors or omissions occur,
  - (iv) the method for distributing exercise assignment notices,
  - (v) the *Dealer Member's* deadlines for a client to submit an exercise notice,
  - (vi) the *Dealer Member's* right to impose trading limits or closeout positions under specified conditions,
  - (vii) for *futures contract options*, the method for distributing exercise assignment notices and the client's obligation to instruct the *Dealer Member* to close out contracts before the expiry date,
  - (viii) the conditions under which the *Dealer Member* may apply the client's funds, securities or other property in the account or any other accounts of the client to satisfy outstanding debts or margin calls,
  - (ix) the extent of the *Dealer Member's* right to use *free credit balances* in the client's account for its own business or to cover debits in the same or other accounts,
  - (x) the requirement for the *Dealer Member* to obtain client consent before the *Dealer Member* may take the other side to the client's transaction, and whether the client provides such consent,
  - (xi) the *Dealer Member's* right to raise money on and pledge assets held in the client's account,
  - (xii) the extent of the *Dealer Member's* right to deal with securities and other assets in the client's account and to hold them as collateral against the client's debts,
  - (xiii) the *Dealer Member's* right to provide information to regulators regarding reporting and position limits,

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- (xiv) the client's obligations to comply with reporting, position limit and exercise limit requirements that the relevant futures exchange or its clearing house establishes,
- (xv) a statement that the *Dealer Member* requires a client to maintain a minimum margin that is the greater of:
  - (a) the amount the futures exchange or clearing house prescribes,
  - (b) *Corporation requirements*, or
  - (c) the *Dealer Member's* requirements,
- (xvi) the client's obligation to maintain adequate margin and security and to pay any debts to the *Dealer Member*,
- (xvii) a statement that the *Dealer Member* may commingle and use the client's margin funds or property in its own business,
- (xviii) the client's obligations to pay commission, if any,
- (xix) the client's obligation to pay interest on debit balances in the account, if any,
- (xx) whether any discretionary authority is given to the *Dealer Member*, and if so, the discretionary authority must be clearly explained and specifically confirmed by the client, unless such discretionary authority is provided in another document. The authority must be consistent with the requirements contained within Part G of Rule 3200,
- (xxi) the client's positive acknowledgement that they have received the futures disclosure statement, and
- (xxii) other than for a hedging account, a risk disclosure limit for futures trading indicating the maximum amount of cumulative losses the client can sustain which can be:
  - (a) on a life time basis, or
  - (b) on an annual basis, provided that it is updated annually.

### 3259. Letters of undertaking

- (1) Instead of a *futures contract* or *futures contract option* trading agreement, a *Dealer Member* may obtain a letter of undertaking for accounts where the client is:
  - (i) an *acceptable institution*,
  - (ii) an *acceptable counterparty*,
  - (iii) a *regulated entity*, or
  - (iv) another adviser registered under any *applicable laws* relating to trading or advising in respect of *futures contracts* or *futures contract options*.
- (2) The letter of undertaking must state that:
  - (i) the client agrees to abide by the *Corporation's requirements* and the requirements of any entity through which *futures contracts* or *futures contract options* are traded or cleared, including complying with position and exercise limits, and
  - (ii) if the client has an account that is charged interest on a debit balance, the conditions under which transfers of the client's funds, securities or other property may be made between accounts, unless these conditions are acknowledged by the client in another document.

**3260. Futures disclosure statement**

- (1) A *Dealer Member* must:
- (i) provide the client with the current futures disclosure statement or other similar document, approved by the *Corporation*, before accepting a *futures contract* or *futures contract options* account,
  - (ii) obtain the client’s positive acknowledgement of receipt of the futures disclosure statement or similar document described in clause 3260(1)(i),
  - (iii) provide each *futures contract* or *futures contract options* client with any amendments to the futures disclosure statement or similar document, approved by the *Corporation*, and
  - (iv) maintain *records* showing the names and addresses of all clients to whom it has sent a futures disclosure statement or similar documents, including any amendments and the date on which they were provided.

**3261. – 3269. Reserved.**

**PART G – DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS**

**3270. Definitions**

- (1) The following term has the meaning set out below when used in sections 3271 through 3281:

“responsible person”	<p>A partner, <i>Director</i>, <i>officer</i>, <i>employee</i> or <i>agent</i> of a <i>Dealer Member</i> who:</p> <ul style="list-style-type: none"> <li>(i) 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 sections 3273 through 3276, or</li> <li>(ii) participates in the formulation of, or has prior access information regarding investment decisions made on behalf of or advice given to a <i>managed account</i> but does not include a sub-adviser under section 3279.</li> </ul>
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**3271. Rules applicable to discretionary accounts and managed accounts**

- (1) For the purposes of Rule 3200, a *Dealer Member* that accepts a *discretionary account* or a *managed account* for a *retail client* must comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens a *discretionary account* or a *managed account* for an *institutional client* must:
- (i) comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200, with the exception of sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.
- (3) The *Dealer Member* must ensure that *individuals* trading or advising on its behalf, in *discretionary accounts* or *managed accounts*, meet the applicable proficiency requirements.

**3272. Reserved.**



## DISCRETIONARY ACCOUNTS

### 3273. Accepting a discretionary account

- (1) To accept *discretionary accounts*:
  - (i) the *Dealer Member* must designate one or more *designated Supervisors*, who meet the proficiency requirements set out in Rule 2600, to be responsible for the *discretionary accounts*,
  - (ii) the *Dealer Member's* policies and procedures must specifically address the supervision and operation of *discretionary accounts* in accordance with Rule 3900,
  - (iii) the *Dealer Member* must identify *discretionary accounts* in its books and *records* to allow supervision of the *discretionary accounts* in accordance with Rule 3900,
  - (iv) the *Dealer Member* must enter into a *discretionary account* agreement with the client prior to accepting the account as a *discretionary account*,
  - (v) the *designated Supervisor* must approve the account as a *discretionary account* and approve the *discretionary account* agreement signed by the client, and
  - (vi) the *Dealer Member* must maintain a record of the *designated Supervisor's* approval in accordance with the record retention requirements in section 3803.

### 3274. Discretionary account agreement

- (1) A *discretionary account* agreement must:
  - (i) define the extent of the discretionary authority given to the *Dealer Member* by the client,
  - (ii) include any restrictions on the discretionary authority,
  - (iii) have a maximum term of no longer than 12 months,
  - (iv) not be renewable, and
  - (v) set out the terms of termination in accordance with subsection 3274(2).
- (2) A *discretionary account* agreement may only be terminated by written notice:
  - (i) by the client, effective when received by the *Dealer Member*, except for orders entered prior to receipt of the notice, or
  - (ii) by the *Dealer Member*, effective not less than 30 days from the date the *Dealer Member* delivered the notice to the client.

### 3275. Persons authorized to affect discretionary trades

- (1) A *Registered Representative* may only be authorized to affect trades for a *discretionary account* if:
  - (i) the *Registered Representative* has at least two years of active experience in trading, advising or performing analysis with respect to all types of products that are to be traded on a discretionary basis, and
  - (ii) the *discretionary account* is maintained at the *Dealer Member* on whose behalf the *Registered Representative*, conducts business.

### 3276. Conflicts of interest

- (1) A *discretionary account* must not hold any publicly traded securities of the *Dealer Member* or its *affiliates*.

- (2) A *responsible person* or a *Dealer Member* must not trade for his or her or the *Dealer Member's* own account, or knowingly permit or arrange any *associate* or *affiliate* to trade, in reliance upon information relating to trades made or to be made in a *discretionary account*.
- (3) A *responsible person* or a *Dealer Member* must not, without the prior written consent of the client, knowingly allow a *discretionary account* to:
  - (i) invest in a security or *derivative* of a security of an issuer if the *individuals* authorized under subsection 3275(1) to deal with *discretionary accounts* is an officer or director of the issuer, unless the position with the issuer is disclosed to the client, or
  - (ii) invest in new issues or secondary offerings underwritten by the *Dealer Member*.
- (4) A *responsible person* or a *Dealer Member* must not allow a *discretionary account* to provide a guarantee or loan to a *responsible person* or an *associate* of a *responsible person*.

## MANAGED ACCOUNTS

### 3277. Opening a managed account

- (1) To accept *managed accounts*:
  - (i) the *Dealer Member* must designate a *Supervisor* to be responsible for *managed accounts*,
  - (ii) the *Dealer Member's* policies and procedures must specifically address the supervision and operation of *managed accounts* in accordance with *Corporation requirements*,
  - (iii) the *Dealer Member* must enter into a *managed account* agreement with the client prior to opening a *managed account*,
  - (iv) the *designated Supervisor* must approve each *managed account* in writing,
  - (v) the *Dealer Member* must retain a record of the *designated Supervisor's* approval, and
  - (vi) the *Dealer Member* must provide the client with a copy of its policy ensuring fair allocation of investment opportunities.

### 3278. Managed account agreement

- (1) The *managed account* agreement must:
  - (i) describe or refer to the client's personal and financial circumstances, investment knowledge, investment time horizon, investment needs and objectives and risk profile that are applicable to the *managed account* or accounts,
  - (ii) describe any investment restrictions imposed by the client, where permitted by the *Dealer Member*, and
  - (iii) set out the terms of termination in accordance with subsection 3278(2).
- (2) The *managed account* agreement may only be terminated by written notice:
  - (i) by the client, effective on receipt by the *Dealer Member*, except for transactions entered prior to receipt of the notice, or
  - (ii) by the *Dealer Member*, effective not less than 30 days from the date the *Dealer Member* delivered the notice to the client.

### 3279. Persons authorized to deal with managed accounts

- (1) A *Dealer Member* must designate an *individual* authorized to deal with *managed accounts* who is:

- (i) a *Portfolio Manager*,
  - (ii) an *Associate Portfolio Manager*, or
  - (iii) a sub-advisor with whom the *Dealer Member* has entered into a written sub-advisor agreement.
- (2) The sub-advisor in clause 3279(1)(iii) must be:
- (i) registered or licensed, or operating under an exemption from registration or licensing, under *securities laws* of the jurisdiction in which its head office or principal place of business is located, that permits it to carry on *managed account* activities, or its equivalent, in such jurisdiction, and
  - (ii) subject to legislation or regulations containing conflict of interest provisions at least equivalent to those set out in section 3280 or has entered into an agreement with the *Dealer Member* that it will comply with section 3280.

**3280. Conflicts of interest**

- (1) A *responsible person* or a *Dealer Member* must not trade for their or the *Dealer Member's* own account, or knowingly permit or arrange any *associate* or *affiliate* to trade, in reliance upon information relating to trades made or to be made in a *managed account*.
- (2) A *responsible person* or a *Dealer Member* must not, without the prior written consent of the client, knowingly allow a *managed account* to:
- (i) invest in a security or *derivative* of a security of an issuer that is related or connected to a *responsible person* or to the *Dealer Member*,
  - (ii) invest in a security or *derivative* of a security of an issuer if the *individuals* authorized under subsection 3279(1) to deal with *managed accounts* is an officer or director of the issuer, unless the position with the issuer is disclosed to the client, or
  - (iii) invest in new issues or secondary offerings underwritten by the *Dealer Member*.
- (3) A *responsible person* or a *Dealer Member* must not knowingly cause any *managed account* to:
- (i) purchase or sell a security or *derivative* of a security of an issuer from or to the account of a *Portfolio Manager*, an *Associate Portfolio Manager* or an *associate* of a *Portfolio Manager* or an *associate* of an *Associate Portfolio Manager*,
  - (ii) purchase or sell a security or *derivative* of a security of an issuer from or to an investment fund for which a *responsible person* acts as an adviser, or
  - (iii) provide a guarantee or loan to a *responsible person* or an *associate* of a *responsible person*.
- (4) A *Dealer Member* must fairly allocate investment opportunities among its *managed accounts*.

**3281. Fees and remuneration**

- (1) A *Dealer Member* may not charge a client directly for services rendered to the *managed account*, that is:
- (i) based upon the volume or value of transactions in the account initiated for the account, or
  - (ii) contingent upon profit or performance of the client's account,

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unless the client has provided the *Dealer Member* with a written agreement which sets out the manner in which the fees may be charged based on volume or value of transactions or contingent upon profit or performance.

- (2) A *Dealer Member* must not compensate a *person* referred to in section 3279, on the basis of the value or volume of transactions in the account.

**3282. -3299. Reserved.**

**RULE 3600 | COMMUNICATIONS WITH THE PUBLIC**

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**3601. Introduction**

- (1) A *Dealer Member's* policies and procedures must specifically address communication with the public and the *Dealer Member* must monitor compliance with these policies and procedures to provide reasonable assurance the *Dealer Member*, its *employees* and *Approved Persons* comply with the policies and procedures.
- (2) Rule 3600 is divided into the following parts:
  - Part A – Advertisements, sales literature and correspondence  
[sections 3602 and 3603]
  - Part B – Research reports  
[sections 3606 through 3623]
  - Part C – Misleading Communications  
[section 3640]

**PART A – ADVERTISEMENTS, SALES LITERATURE AND CORRESPONDENCE****3602. Reserved.****3603. Advertising**

- (1) A *Dealer Member* must not issue, participate in or knowingly allow the use of its name in any *advertisement, sales literature or correspondence* that:
  - (i) contains an untrue statement or omission of a material fact or is otherwise false or misleading,
  - (ii) contains an unjustified promise of specific results,
  - (iii) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions,
  - (iv) contains any opinion or forecast of future events which is not clearly labeled as such,
  - (v) fails to fairly present the potential risks to the client,
  - (vi) is detrimental to the interests of the public, the *Corporation* or its *Dealer Members*, or
  - (vii) fails to comply with *Corporation requirements* or any *applicable laws*.
- (2) A *Dealer Member's* policies and procedures must specifically address the review and supervision of *advertisements, sales literature and correspondence* relating to its business.
- (3) A *Dealer Member* must ensure that the following items are approved by a *designated Supervisor* before use or publication:
  - (i) *research reports*,
  - (ii) market letters,
  - (iii) telemarketing scripts,
  - (iv) promotional seminar texts (excluding educational seminar texts),
  - (v) original *advertisements* or original template *advertisements*, and
  - (vi) any material containing performance reports or summaries that is used to solicit clients.

- (4) A *Dealer Member* must ensure that all *advertising, sales literature* or *correspondence* not listed in subsection 3603(3) is reviewed in a manner appropriate to the type of material through:
  - (i) pre-use approval,
  - (ii) post-use review, or
  - (iii) post-use sampling.
- (5) A *Dealer Member* must provide reasonable assurance:
  - (i) its *employees* and *Approved Persons* are familiar with its policies and procedures relating to *advertisements, sales literature* and *correspondence*, and
  - (ii) its policies and procedures include specific ongoing measures to provide reasonable assurance its policies and procedures are being complied with.
- (6) A *Dealer Member* must retain copies of all *advertisements, sales literature* and *correspondence* and all *records* of supervision for the period set out in section 3803. These items must be readily available for inspection by the *Corporation*.

**3604. – 3605. Reserved.**

**PART B – RESEARCH REPORTS**

**3606. Definitions**

- (1) The following terms have the meaning set out below when used in Part B of Rule 3600:

“analyst”	A <i>Dealer Member’s</i> employee or <i>Approved Person</i> who is held out to the public as an analyst or whose responsibilities to the <i>Dealer Member</i> include the preparation, for distribution to clients or prospective clients, of any written report, which includes a recommendation with respect to a security.
“equity related security”	A security whose performance is based on the performance of an underlying <i>equity security</i> or a basket of income producing assets, including <i>derivatives</i> , convertible securities and income trust units.
“investment banking” or “investment banking service”	Includes but is not limited to: <ul style="list-style-type: none"> <li>(i) acting as an underwriter in an offering of securities for an issuer,</li> <li>(ii) acting as a financial adviser in a merger or acquisition, or</li> <li>(iii) providing venture capital, lines of credit or serving as a placement agent for an issuer.</li> </ul>

**3607. Policies and procedures and minimum disclosure**

- (1) A *Dealer Member’s* policies and procedures must specifically address:
  - (i) the conduct of *analysts*,
  - (ii) the publishing of *research reports*, and
  - (iii) the making of recommendations by *analysts*.
- (2) A *Dealer Member* must designate one or more *Supervisors* to be responsible for reviewing and approving *research reports*.

**3608. Research report disclosure of potential conflicts of interest**

- (1) A *research report* prepared by the *Dealer Member* must disclose any matter which might reasonably indicate an existing or potential conflict of interest for the *Dealer Member* or the *analyst*, which includes, but is not limited to, the matters set out in subsection 3608(2).
- (2) A *research report* prepared by the *Dealer Member* must disclose:
  - (i) if the *Dealer Member* or its *affiliates* has *beneficial ownership* of the *equity securities* of the subject issuer that amounts to one percent or more of any class of such securities:
    - (a) as of the end of the month prior to the issuance date of the *research report*, or
    - (b) as of the end of the second most recent month if the report issuance date is less than 10 days after the end of the prior month,
  - (ii) if:
    - (a) the *analyst*,
    - (b) an *associate* of the *analyst*, or
    - (c) any *person* directly involved in the preparation of the report, holds or is short any of the issuer's securities directly or indirectly,
  - (iii) any services provided by any partner, *Director* or *officer* of the *Dealer Member* or *analyst* involved in the preparation of a report, other than services provided in the normal course investment advisory or trade execution services to the issuer for *remuneration*, during the 12 months immediately preceding the date a *research report* or recommendation was issued,
  - (iv) any *investment banking services* provided by the *Dealer Member* to the issuer for *remuneration* during the 12 months immediately preceding the date a *research report* or recommendation was issued,
  - (v) the name of any partner, *Director*, *officer*, *employee* or *agent* of the *Dealer Member* who is a partner, director, officer or employee of the issuer, or who serves in an equivalent *advisory capacity* to the issuer, and
  - (vi) if it is making a market in any *equity security* or *equity related security* of the subject issuer.

**3609. Additional disclosures**

- (1) A *research report* must disclose or indicate where the following information is otherwise available:
  - (i) the *Dealer Member's* system for rating investment opportunities and how each recommendation fits within the system, and
  - (ii) the *Dealer Member's* policies and procedures that specifically address the dissemination of its *research reports*.
- (2) A *Dealer Member* must, on a quarterly basis, disclose the percentage of its recommendations that fall into each category of its recommendation system.

**3610. Quality of disclosures in a research report**

- (1) A *Dealer Member* must ensure that the *research report* disclosures required in sections 3608 and 3609 are made in a clear, meaningful, comprehensive and prominent manner.

- (2) The *Dealer Member* must not use standard disclosure statements when it is more appropriate to use specific information and customized disclosures in order to comply with the requirements set out in section 3608 or 3609.

**3611. Independent third party research report**

- (1) The disclosures required by sections 3608 and 3609 are applicable to *research reports* prepared by an independent third party that is distributed by a *Dealer Member* to its clients under the independent third party's name.
- (2) The disclosures in sections 3608 and 3609 are not required in the following circumstances:
  - (i) in the case of independent third party *research reports* that are issued by members of the Financial Industry Regulatory Authority or *persons* governed by other regulators approved by the *Corporation*, or
  - (ii) when a *Dealer Member* is only giving clients access to independent third party *research report*, or supplying an independent third party *research report* at the request of a client, and
  - (iii) the *Dealer Member* discloses that the independent third party *research report* was not prepared in accordance with Canadian disclosure requirements relating to *research reports*.

**3612. Directing the reader to disclosures**

- (1) When a *Dealer Member* distributes a *research report*:
  - (i) covering six or more issuers, the report may direct the reader to where the disclosures required under sections 3608, 3609 and 3616 may be found, or
  - (ii) electronically, the report may direct the reader to where the disclosures required under sections 3608, 3609 and 3616 may be accessed by electronic means, such as through the use of a hyperlink.

**3613. Visiting an issuer**

- (1) A *Dealer Member* must disclose in its *research reports*:
  - (i) whether, and to what extent, an *analyst* has visited the issuer's material operations, and
  - (ii) if the issuer has paid or reimbursed any of the *analyst's* travel expenses with respect to the visit.

**3614. Relationship with the issuer**

- (1) A *Dealer Member* must not issue a *research report* prepared by an *analyst* on any issuer for which the *analyst*, an *associate* of the *analyst* or the *designated Supervisor*:
  - (i) serves as an officer, director or employee of the issuer, or
  - (ii) serves in any *advisory capacity* to the issuer.

**3615. Notice to discontinue coverage**

- (1) A *Dealer Member* must issue notice of its intention to suspend or discontinue coverage of an issuer, to the same audience who received the coverage and in the same manner that the coverage was distributed.



- (2) Notice of discontinuance of coverage is not required if the sole reason for the suspension is that the issuer has been placed on a *Dealer Member's* restricted list.

**3616. Setting price targets**

- (1) If a *Dealer Member* sets a price target in a *research report*, the *Dealer Member* must disclose, in that *research report*, the valuation method used.

**3617. Prohibited inducements**

- (1) A *Dealer Member* must not, as consideration or inducement for the receipt of business or compensation from an issuer, directly or indirectly:
  - (i) offer to issue favourable *research report* on the issuer,
  - (ii) offer to set a favourable rating or price target on one or more of the issuer's securities,
  - (iii) offer to delay the changing of a rating or price target on one or more of the issuer's securities or the changing of any other *research report* element, including offering to delay the issue date of the *research report*, or
  - (iv) threaten to change a rating or a price target on one or more of the issuer's securities or any other element of a *research report*.

**3618. Public comments**

- (1) When giving an interview or otherwise making any public comment about the merits of an issuer or its securities, an *employee* or *Approved Person* of a *Dealer Member* must disclose whether or not the *Dealer Member* has issued a relevant *research report*.

**3619. Policies and procedures on trading**

- (1) A *Dealer Member* who issues or distributes *research reports* must have policies and procedures that specifically address detecting and restricting any trading in *equity securities* or *equity related securities* of a subject issuer that is done with knowledge of or in anticipation of:
  - (i) the issuance of a *research report*,
  - (ii) a new recommendation, or
  - (iii) a change in a recommendation,related to the subject security that could reasonably be expected to have an effect on the price of the subject securities.
- (2) An *individual* directly involved in the preparation or approval of a *research report* must not trade in *equity securities* or *equity related securities* of the subject issuer for a period beginning 30 days prior to and ending five days after the issuance of the *research report*.
- (3) Notwithstanding subsection 3619(2), an *individual* may trade with the prior written approval of a designated *Executive* of the *Dealer Member*.
- (4) Approval under subsection 3619(3) may not be granted for trades that are contrary to the *analyst's* current recommendation, unless special circumstances exist.

**3620. Prohibition on investment banking compensation**

- (1) A *research report* must disclose if the *analyst* responsible for the report received compensation within the prior 12 months that was based upon the *Dealer Member's investment banking* revenues.
- (2) A *Dealer Member* must not pay any bonus, salary or other compensation to an *analyst* that is directly based upon a specific *investment banking* transaction.

**3621. Relationship with investment banking**

- (1) A *Dealer Member's* policies and procedures must specifically address preventing recommendations in *research reports* from being influenced by the *investment banking* department or the issuer.
- (2) The policies and procedures must specifically address, at a minimum:
  - (i) prohibiting the approval of *research reports* by the *investment banking* department,
  - (ii) limiting the *investment banking* department's involvement in the production of *research reports* solely to the correction of factual errors,
  - (iii) prohibiting and preventing the *investment banking* department from receiving advance notice of new ratings or rating changes on covered issuers, and
  - (iv) establishing systems to control and record the flow of information between *analysts* and *investment banking* department staff, regarding issuers that are the subject of current or prospective *research reports*.

**3622. Quiet periods**

- (1) A *Dealer Member* must not issue a *research report* on *equity securities* of a subject issuer for which the *Dealer Member* has acted as manager or co-manager:
  - (i) for 10 days after the date of the offering of an initial public offering of *equity securities* of the subject issuer,
  - (ii) for three days after the date of the offering of a secondary offering of *equity securities* of the subject issuer.
- (2) Subsection 3622(1) does not prevent a *Dealer Member* from issuing a *research report* on the effects of significant news about or a significant event affecting the issuer within the applicable 10 day or three day period.
- (3) Subsection 3622(1) does not apply where the subject securities are exempted from restrictions under provisions relating to market stabilization set out in *Corporation requirements* and *securities laws*.

**3623. Outside ~~business~~ activities**

- (1) A *Dealer Member* must pre-approve an *analyst's* outside ~~business~~ activities.

**3624. – 3639. Reserved.**

**PART C – MISLEADING COMMUNICATIONS**

**3640. Misleading communications**

- (1) An *Approved Person* must not hold themselves out, and a *Dealer Member* must not hold itself or its *Approved Persons* out, including through the use of a *trade name*, in a manner that could reasonably be expected to deceive or mislead any person or company as to any of the following matters:
  - (i) the proficiency, experience, qualifications or category of registration or approval of the *Approved Person*,
  - (ii) the nature of the person's relationship, or potential relationship, with the *Dealer Member* or the *Approved Person*, or
  - (iii) the products or services provided, or to be provided, by the *Dealer Member* or the *Approved Person*.
- (2) For greater certainty, and without limiting subsection 3640(1), an *Approved Person* who interacts with clients must not use any of the following:
  - (i) if based partly or entirely on that *Approved Person's* sales activity or revenue generation, a title, designation, award, or recognition,
  - (ii) a corporate officer title, unless their *Dealer Member* has appointed that *Approved Person* to that corporate office pursuant to applicable corporate law, or
  - (iii) if the *Approved Person's Dealer Member* has not approved the use by that *Approved Person* of a title or designation, that title or designation.

**3641. – 3699. Reserved.**

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

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**4201. Introduction**

- (1) Rule 4200 sets out the following *Dealer Member* general financial requirements:

Part A - Financial disclosure to clients

[sections 4202 through 4209]

Part B - General internal control requirements

[sections 4220 through 4225]

Part C - Pricing internal control requirements

[sections 4240 through 4244]

Part D - Calculation of prices on a yield basis

[sections 4260 through 4267]

Part E - Professional opinions

[sections 4270 through 4276]

**PART A - FINANCIAL DISCLOSURE TO CLIENTS**

**4202. Introduction**

- (1) If a client so requests, a *Dealer Member* must disclose its financial position to the client to enable them to assess the *Dealer Member's* financial position. Part A of Rule 4200 sets out the requirements that a *Dealer Member* must comply with in order to present this information to the client in a complete and consistent manner.

**4203. Summary statement of financial position available**

- (1) A *Dealer Member* must provide a summary statement of its financial position, when requested, to any client who has traded in his or her account with the *Dealer Member* within the past 12 months.
- (2) The summary statement of financial position must be as at the *Dealer Member's* latest fiscal year-end date and based on its latest annual audited financial statements.
- (3) A *Dealer Member* must prepare the summary statement of financial position within 75 days of its fiscal year-end.

**4204. Summary statement of financial position - contents**

- (1) A *Dealer Member's* summary statement of financial position must contain material information including details of the *Dealer Member's* assets, liabilities and financial statement capital, and be generated using the Securities Industry Regulatory Financial Filings system.

**4205. Audited or unaudited summary statement of financial position**

- (1) The summary statement of financial position must either be:
- (i) audited and accompanied by:

- (a) a report prepared by the *Dealer Member's auditor* stating that it fairly summarizes the financial position of the *Dealer Member*, and
- (b) notes disclosures specified by the *Dealer Member's auditor*,

or

- (ii) unaudited and:
  - (a) generated from within the Securities Industry Regulatory Financial Filings system using information from the most recent audited Form 10f of the *Dealer Member*,
  - (b) certified by the *Dealer Member's Chief Financial Officer*, and
  - (c) accompanied by note disclosures that at a minimum describe, management's responsibility for the summary statement of financial position, and the basis of accounting and restriction on the use of the summary statement of financial position.

**4206. Publishing a summary statement of financial position**

- (1) If a *Dealer Member* publishes or circulates a summary statement of financial position in any document, it must:
  - (i) be in the same form, and
  - (ii) contain the same information,as the statement made available to the *Dealer Member's* clients.

**4207. List of current Executives and Directors**

- (1) A *Dealer Member* must provide a current list of its *Executives* and *Directors*, when requested, to any client who has traded in his or her account with the *Dealer Member* within the past 12 months.

**4208. Disclosures available to clients**

- (1) A *Dealer Member* must state on each account statement sent to clients, or in another manner the *Corporation* approves, that:
  - (i) its summary statement of financial position, and
  - (ii) list of *Executives* and *Directors*,are available on request to any client who has traded in his or her account within the previous 12 months.

**4209. Consolidated financial statements - similar named entity**

- (1) A *Dealer Member* must disclose its financial statements separately from those of any *affiliate* or *holding company* with a similar name.
- (2) If a *Dealer Member's* accounts are included in the consolidated financial statements of its *holding company* or *affiliate* with a name similar to the *Dealer Member's*, and those consolidated financial statements are published or circulated in any document or other medium, then either:
  - (i) the consolidated financial statements must include a note indicating that:
    - (a) they relate to an entity that is not the *Dealer Member*, and
    - (b) although the statements include the *Dealer Member's* accounts, they are not the *Dealer Member's* financial statements,

or

- (ii) at the time of publication or circulation, the *Dealer Member* must send to each client who has traded in his or her account within 12 months of the date of publication:
  - (a) its unconsolidated summary statement of financial position, and
  - (b) a letter explaining why the statement is being sent.

**4210. - 4219. Reserved.**

**PART B - GENERAL INTERNAL CONTROL REQUIREMENTS**

**4220. Introduction**

- (1) Part B of Rule 4200 sets out *Corporation requirements* for a *Dealer Member's internal controls* and risk management infrastructure. Effective *internal controls* will assist a *Dealer Member* not only in complying with *Corporation requirements* and *securities laws* but also in conducting its business with integrity and due regard to the interests of its clients.

**4221. Definitions**

- (1) The following terms have the meaning set out below when used in Part B of Rule 4200:

“detective controls”	Controls that discover, or increase the chances of finding, fraud or error, so the <i>Dealer Member</i> can take prompt corrective action.
“preventive controls”	Controls that prevent, or minimize the chances of, fraud and error.

**4222. Adequate internal controls**

- (1) A *Dealer Member* must establish and maintain appropriate *internal controls*.
- (2) The *Dealer Member's Executives* are responsible for ensuring adequate *internal controls* as part of their overall responsibility for managing the *Dealer Member's* operations.
- (3) The *Dealer Member's Executives* must use best judgment in determining whether *internal controls* are adequate.

**4223. Preventive controls**

- (1) When necessary, a *Dealer Member* must implement *preventive controls* based on the *Dealer Member's Executives' view* of the risk of loss and the cost-benefit relationship of controlling that risk.

**4224. Written record**

- (1) A *Dealer Member* must maintain a detailed written *record* of its *internal controls*, including, at a minimum, the policies and procedures the *Dealer Member's Executives* have approved to provide reasonable assurance of compliance with all *Corporation requirements* relating to *internal controls*.

**4225. Review and written approval of internal controls**

- (1) The *Dealer Member's Executives* must review a *Dealer Member's internal controls* for adequacy and suitability at least annually and more frequently as necessary or stipulated by *Corporation requirements*. They must approve a *Dealer Member's internal controls* in writing after each review.

4226. - 4239. Reserved.

## PART C - PRICING INTERNAL CONTROL REQUIREMENTS

### 4240. Introduction

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

### 4241. Pricing procedures

- (1) A *Dealer Member* must consistently and accurately price all securities. In Part C of Rule 4200, references to securities include client and inventory securities and securities used in financing transactions such as security borrow and lend, *repurchase agreement* transactions and *reverse repurchase agreement* transactions.
- (2) On a daily basis, a *Dealer Member* must consistently and accurately mark to market its “owned” and “sold short” security positions to ensure accurate profit and loss reporting in accordance with *Corporation requirements*.
- (3) A *Dealer Member’s* policies and procedures must specifically address consistently pricing securities and verifying prices of securities.
- (4) A *Dealer Member’s* policies and procedures must specifically address appropriate pricing in security *records* that it uses to prepare management reports for monitoring:
  - (i) securities inventory profit and loss,
  - (ii) its regulatory capital position, and
  - (iii) security *segregation*.
- (5) A *Dealer Member* must assign knowledgeable *employees*, who are independent of its trading functions, to prepare the reports in subsection 4241(4), and must supervise the reports’ preparation. Conflicted *employees* must not be involved in security pricing or, failing that, the *Dealer Member* must adopt compensating procedures to ensure appropriate pricing.

### 4242. Independent price verification and adjustment

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

### 4243. Retention of supporting documents

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

**4244. Access to records**

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

**4245. - 4259. Reserved.**

**PART D - CALCULATION OF PRICES ON A YIELD BASIS**

**4260. Introduction**

- (1) Part D of Rule 4200 describes how to calculate a security price based on a security’s current market yield.

**4261. Definitions**

- (1) The following term has the meaning set out below when used in Part D Rule 4200:

“regular delivery date”	The settlement or delivery dates generally accepted in industry practice for a security in the market where the transaction occurs.
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**4262. Calculating price if no method is stated for calculating unexpired term**

- (1) When a *Dealer Member* quotes a bid or offer based on yield, and neither the buyer nor seller *Dealer Member* states a price or a method for calculating the unexpired term, the price must be established according to sections 4264 through 4267.

**4263. Exceptions**

- (1) Sections 4264 through 4267 do not apply to trades in:
  - (i) Government of Canada bonds and bonds guaranteed by the Government of Canada,
  - (ii) Short-term bonds that have:
    - (a) an unexpired term to maturity of six months or less,
    - (b) an unexpired term-to-call date of six months or less and selling at, or at a premium over, the call price, or
    - (c) been called for redemption,
  - (iii) bonds callable on future dates at varying prices, and
  - (iv) bonds callable at the issuer’s option if the call date is not stated and the bonds are selling at a premium over call price.

**4264. Unexpired term - Bonds with unexpired terms to maturity up to and including 10 years**

- (1) For a bond with an unexpired term to maturity up to and including 10 years, calculate the unexpired term as the exact period in years, months, and days from the *regular delivery date*:
  - (i) to the maturity date of a non-callable bond or callable bond selling at less than the call price, and
  - (ii) to the first redemption date of a callable bond selling at, or at a premium over, the call price.



**4265. Unexpired term - Bonds with unexpired terms to maturity over 10 years**

- (1) For a bond with an unexpired term to maturity of over 10 years, calculate the unexpired term as the period in years and months from the month in which the *regular delivery date* occurs:
  - (i) to the month and year of maturity of a non-callable bond or callable bond selling at less than the call price, and
  - (ii) to the first month and year that the bond is redeemable for a callable bond selling at, or at a premium over, the call price.

**4266. Calculating the price and price precision**

- (1) In calculating the price, the unexpired term must be expressed as years. To express the unexpired term in years:
  - (i) one day shall be deemed to be 1/30<sup>th</sup> of one month, and
  - (ii) one month shall be deemed to be 1/12<sup>th</sup> of one year.
- (2) For all bond transactions between *Dealer Members* and its clients where the price has been determined using the calculation approach set out in either section 4264 or 4265, the price must be extended to three decimal places of precision.

**4267. New issues**

- (1) Part D of Rule 4200 applies to new issues. The unexpired term to maturity is to start on the date that accrued interest, which is charged to the client, is calculated up to.

**4268. - 4269. Reserved.**

**PART E - PROFESSIONAL OPINIONS**

**4270. Introduction**

- (1) Part E of Rule 4200 sets requirements relating to *professional opinion* (defined in section 4271) standards.

**4271. Definitions**

- (1) The following terms have the meanings set out below when used in Part E of Rule 4200:

"Corporation standards"	The disclosure standards in Part E of Rule 4200.
"disclosure document"	The same meaning as used in relevant <i>securities laws</i> .
"fairness opinion"	A report of a <i>valuer</i> that contains the <i>valuer's</i> opinion as to the fairness, from a financial point of view, of a transaction.
"formal valuation"	A report of a <i>valuer</i> that contains the <i>valuer's</i> opinion as to the value or range of values of the subject matter of the valuation.
"interested party"	The same meaning as used in relevant <i>securities laws</i> .
"prior valuation"	The same meaning as used in relevant <i>securities laws</i> .
"professional opinion"	A <i>formal valuation</i> or a <i>fairness opinion</i> .
"subject transaction"	Transactions including an insider bid, issuer bid, business combinations, or related party transaction as defined in relevant <i>securities laws</i> .
"valuer"	The person who provides a <i>professional opinion</i> .

**4272. Application**

- (1) The *Corporation standards* apply only to *professional opinions* that are prepared either:
  - (i) pursuant to a requirement of relevant *securities laws*, or
  - (ii) for the express purpose of publication in a *disclosure document* to be filed with any Canadian *securities regulatory authority* or delivered to security holders in connection with their consideration of the *subject transaction*.
- (2) The *Corporation standards* do not apply to *professional opinions* that are either:
  - (i) rendered in connection with transactions other than the *subject transactions*, whether or not they are reproduced or summarized in a *disclosure document*, or
  - (ii) reproduced or summarized in a *disclosure document* in compliance with relevant *securities laws* for the disclosure of *prior valuations* in respect of an issuer.

**4273. General requirement**

- (1) A *Dealer Member's professional opinion* in connection with a *subject transaction* must comply with the *Corporation standards*.
- (2) A *Dealer Member's* compliance with the *Corporation standards*:
  - (i) must not substitute the professional judgment and responsibility of the *valuer*,
  - (ii) will not be considered compliant if it is not exercised along with professional judgment and responsibility regarding disclosure in a *professional opinion*, and
  - (iii) may not be appropriate if its strict compliance is not justified using professional judgment and responsibility.

**4274. General disclosure**

- (1) *Professional opinions* prepared in connection with the *subject transactions* must provide disclosure that:
  - (i) enables the directors and security holders of the particular issuer to understand the principal judgments and principal underlying reasoning of the *valuer* in its *professional opinion*, and
  - (ii) form a reasoned view on the valuation conclusion or the opinion as to fairness expressed therein.
- (2) In reaching a valuation or fairness conclusion, a *Dealer Member* must consider certain information such as, valuation approach, definition of value, key assumptions. That information is described in Part E of Rule 4200 and may be important and required to be disclosed in a *professional opinion*.
- (3) If the *Dealer Member* receives any expressions of concerns relating to its proposed disclosure in a *professional opinion* that contain competitively or commercially sensitive information regarding an *interested party* or issuer:
  - (i) The *Dealer Member* may seek a decision of the special committee of the issuer's independent directors as to whether the perceived detriment to an *interested party* outweighs the benefit of disclosure of such information to the readers of the *professional opinion*.

- (ii) Compliance of the *Dealer Member* with any such decision of a special committee will constitute compliance with the *Corporation standards* in respect of the matters that are the subject of the decision.

**4275. Disclosure - formal valuations**

- (1) A *professional opinion* that is a *formal valuation* prepared by a *Dealer Member* must disclose the following information:
  - (i) the identity and credentials of the *Dealer Member*, including:
    - (a) the general experience of the *Dealer Member* in valuing other businesses in the same or similar industries as the business or issuer in question or similar transactions to the *subject transaction*,
    - (b) the *Dealer Member's* understanding of the specific marketable securities involved in the *subject transaction*, and
    - (c) the internal procedures followed by the *Dealer Member* to ensure the quality of the *professional opinion*,
  - (ii) the date the *valuer* was first contacted in respect of the *subject transaction* and the date that the *valuer* was retained,
  - (iii) the financial terms of the *valuer's* retainer,
  - (iv) a description of any past, present or anticipated relationship between the *valuer* and any *interested party* or the issuer which may be relevant to the *valuer's* independence for purposes of relevant *securities laws*,
  - (v) the subject matter of the *formal valuation*,
  - (vi) the effective date of the *formal valuation*,
  - (vii) a description of any specific adjustments that have been made in the *valuer's* conclusions by reason of an event or occurrence after the effective date,
  - (viii) the scope and purpose of the *formal valuation*, including the following statement:

"This formal valuation has been prepared in accordance with the disclosure standards for formal valuations and fairness opinions of [[AmalcoName of Corporation](#)] but [[AmalcoName of Corporation](#)] has not been involved in the preparation or review of this formal valuation",
  - (ix) a description of the scope of the review conducted by the *valuer*, including a summary of the type of information reviewed and relied upon (such as the documents reviewed, *individuals* interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the *valuer*),
  - (x) a description of any limitation on the scope of review and the implications of such limitation on the *valuer's* conclusions,
  - (xi) a description of the business, assets or securities being valued sufficient to allow the reader to understand the valuation rationale and approach and the various factors influencing value that were considered,
  - (xii) definitions of the terms of value used in the *formal valuation* including but not limited to "fair market value", "market value" and "cash equivalent value",

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- (xiii) the valuation approach and methodologies considered, including:
    - (a) the rationale for valuing the business as a going concern or on a liquidation basis,
    - (b) the reasons for selecting a particular valuation methodology, and
    - (c) a summary of the key factors considered in selecting the valuation approach and methodologies considered,
  - (xiv) the key assumptions made by the *valuer*,
  - (xv) any distinctive material value that the *valuer* has determined might accrue to an *interested party*, whether this value is included in the value or range of values arrived at for the subject matter of the *formal valuation* and the reasons for its inclusion or exclusion,
  - (xvi) the following discussions or explanations:
    - (a) a discussion of any prior bona fide offers or *prior valuations* or other material expert reports considered by the *valuer* pertaining to the subject matter of the transaction, or
    - (b) if the *formal valuation* differs materially from any such *prior valuation*, an explanation of the material differences where reasonably practicable to do so based on the information contained in the *prior valuation* or, if it is not reasonably practicable to do so, the reasons why it is not reasonably practicable to do so,and
  - (xvii) the valuation conclusions reached and any qualifications or limitations to which such conclusions are subject.
- (2) A *professional opinion* that is a *formal valuation* prepared by a *Dealer Member* in connection with a *subject transaction* must disclose the following:
- (i) Annual financial information  
Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a *disclosure document* published in connection with the transaction to which the *professional opinion* applies:
    - (a) The *professional opinion* must disclose a summary of selected material financial information derived from the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity for the most recently completed fiscal year as well as from the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in financial position for the immediately preceding fiscal year.
  - (ii) Interim financial information  
Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a *disclosure document* published in connection with the transaction to which the *professional opinion* applies:
    - (a) The *professional opinion* must disclose a summary of selected material financial information derived from the most recent interim statement of financial position (if any), statement of profit or loss and other comprehensive income and statement of changes in equity for the current fiscal year and the comparable statements for the same interim period of the immediately preceding fiscal year.

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- (iii) Discussion of historical financial statements or financial position
  - (a) The *professional opinion* must include comments on material items or changes in the issuer's financial statements together with appropriate commentary on items which may have particular relevance to the *professional opinion* including but not limited to unusual capital structures, unrecognized tax-loss carry forwards and redundant assets.
- (iv) Future oriented financial information
  - (a) To the extent that the *valuer* has relied upon future-oriented financial information, the *valuer* must disclose the future-oriented financial information, at least in summary form, unless otherwise determined by a decision of the special committee referred to in section 4274.
  - (b) To the extent that the future-oriented financial information relied upon by the *valuer* varies materially from the future-oriented financial information provided to the *valuer* by the issuer or the *interested party*, the *valuer* must disclose the nature and extent of such differences and the rationale of the *valuer* supporting its judgments.
- (v) Future oriented financial information assumptions
  - (a) To the extent that future-oriented financial information is relied upon (whether or not the future-oriented financial information itself is disclosed), key financial assumptions (such as sales, growth rates, operating profit margins, major expense items, interest rates, tax rates, depreciation rates), together with a brief statement supporting the rationale for each specific assumption, must also be disclosed, unless otherwise determined by a decision of the special committee referred to in section 4274.
- (vi) Economic assumptions
  - (a) Any key economic assumptions having a material impact on the *professional opinion* must be disclosed, noting the authoritative source used by the *valuer*, including interest rates, exchange rates and general economic prospects in the relevant markets.
- (vii) Valuation approach, methodologies and analysis
  - The *professional opinion* must set out:
    - (a) the valuation approach and methodologies adopted by the *valuer*,
    - (b) together with the principal judgments made in selecting a particular approach or methodology,
    - (c) a comparison of valuation calculations and conclusions arrived at through the different methods considered and the relative importance of each methodology in arriving at the overall valuation conclusion, and
    - (d) the information in clauses 4275(2)(viii) through 4275(2)(xii), if relevant for the valuation techniques used.
- (viii) Discounted cash flow approach
  - (a) The *professional opinion* must include a discussion of all relevant qualitative and quantitative judgments used to calculate discount rates, multiples and capitalization rates.

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- (b) If the capital asset pricing model is used, disclosure must include the basis for determining the discount rate including the risk free rate, market risk premium, beta, tax rates and debt to equity capital structure assumed.
  - (c) The *valuer* must also disclose the basis for the determination of the terminal/residual value together with the underlying assumptions made.
  - (d) The source of the financial data which formed the basis of the discounted cash flow analysis, summary of major assumptions (if not already disclosed) and the details and sources of any economic statistics, commodity prices and market forecasts used in the valuation approach must also be disclosed.
  - (e) In addition, a summary of the sensitivity variables considered and the general results of the application of such sensitivity analysis must be disclosed along with an explanation of how such sensitivity analysis was used in the determination of the range of valuation estimates resulting from the discounted cash flow approach.
  - (f) Where the nature of the future-oriented financial information and the subject matter of the valuation make it reasonably practicable and meaningful to do so, selected quantitative sensitivity analyses performed by the *valuer* must be disclosed to illustrate the effects of variations in the key assumptions on the valuation results.
  - (g) In determining whether quantitative sensitivity analyses would be meaningful to the reader of the *professional opinion*, the *valuer* must consider whether such analyses adequately reflects the *valuer's* judgment concerning the inter-relationship of the key underlying assumptions.
- (ix) Asset based valuation approach
- (a) The *professional opinion* must separately disclose the values of each significant asset and liability including off-statement of financial position items (unless otherwise determined by a decision of the special committee referred to in section 4274).
  - (b) If a liquidation based valuation approach has been utilized, the *professional opinion* must set out the liquidation values for each significant asset and liability together with summary estimates for significant liquidation costs.
- (x) Comparable transaction approach
- (a) The *professional opinion* must disclose (preferably in tabular form) a list of relevant transactions involving businesses the *valuer* considers similar or comparable to the business being valued.
  - (b) Adequate disclosure must include the date of the transaction, a brief descriptive note, and relevant multiples implicit in the transaction which may include: earnings before interest and taxes multiples; earnings before interest, taxes, depreciation and amortization multiples; earnings multiples; cash flow multiples; and book value multiples; and take-over premium percentages.
  - (c) In the body of the *professional opinion* there must be a discussion of such transactions together with an explanation as to how such transactions were used by the *valuer* in arriving at a valuation conclusion with regard to the comparable transaction approach.
- (xi) Comparable trading approach

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- (a) The *professional opinion* must disclose (preferably in tabular form) a list of relevant publicly traded companies the *valuer* considers similar or comparable to the business being valued.
  - (b) Adequate disclosure must include the date of the market data, the relevant fiscal periods for the comparable company, a brief descriptive note regarding the comparable company and relevant multiples implicit in the trading data which may include: earnings before interest and taxes multiples; earnings before interest, taxes depreciation and amortization multiples; earnings multiples, cash flow multiples; and book value multiples.
  - (c) In the body of the *professional opinion* there must be a discussion as to the comparability of such companies, together with an explanation as to how such data was used by the *valuer* in arriving at a valuation conclusion with regard to the comparable trading approach.
- (xii) Valuation conclusions
- (a) The *valuer* must develop a final valuation range by using a single valuation methodology or some combination of value conclusions determined under different methodologies/approaches.
  - (b) The *professional opinion* must include a comparison of the valuation ranges developed under each methodology and a discussion of the reasoning in support of the *valuer's* final conclusion.

### 4276. Disclosure - fairness opinion

- (1) A *professional opinion* that is a *fairness opinion* prepared by a *Dealer Member* must disclose the following information:
- (i) the identity and credentials of the *Dealer Member*, including:
    - (a) the general experience of the *Dealer Member* in providing *fairness opinions* in connection with transactions similar to the *subject transaction*,
    - (b) the *Dealer Member's* understanding of the specific marketable securities involved in the *subject transaction*, and
    - (c) the internal procedures followed by the *Dealer Member* to ensure the quality of the *professional opinion*,
  - (ii) the date the *Dealer Member* was first contacted in respect of the *subject transaction* and the date that the firm was retained,
  - (iii) the financial terms of the *Dealer Member's* retainer,
  - (iv) a description of any past, present or anticipated relationship between the *Dealer Member* and any *interested party* which may be relevant to the *Dealer Member's* independence for purposes of providing the *fairness opinion*,
  - (v) the scope and purpose of the *fairness opinion*, including the following statement:

"This fairness opinion has been prepared in accordance with the disclosure standards for formal valuations and fairness opinions of [Amalco] but [Amalco] has not been involved in the preparation or review of this fairness opinion."
  - (vi) the effective date of the *fairness opinion*,

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- (vii) a description of the scope of the review conducted by the *Dealer Member*, including a summary of the type of information reviewed and relied upon (such as the documents reviewed, *individuals* interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the *Dealer Member*),
  - (viii) a description of any limitation on the scope of review and the implications of such limitation on the *Dealer Member's* opinion or conclusion,
  - (ix) a description of the relevant business, assets or securities sufficient to allow the reader to understand the rationale of the *fairness opinion* and the approach and various factors influencing financial fairness that were considered,
  - (x) a description of the valuation or appraisal work performed or relied upon in support of the *Dealer Member's* opinion or conclusion,
  - (xi) a discussion of any prior bona fide offer or *prior valuation* or other material expert report considered by the *Dealer Member* in coming to the opinion or conclusion contained in the *fairness opinion*,
  - (xii) the key assumptions made by the *Dealer Member*,
  - (xiii) the factors the *Dealer Member* considered important in performing its fairness analysis,
  - (xiv) the statement of opinion or conclusion as to the fairness, from a financial point of view, of the *subject transaction* and the supporting reasons, and
  - (xv) any qualifications or limitations to which the opinion or conclusion is subject.
- (2) A *professional opinion* that is a *fairness opinion* prepared by a *Dealer Member* in connection with a *subject transaction* must include the following:
- (i) a *fairness opinion* must include:
    - (a) a general description of any valuation analysis performed by the opinion provider, or
    - (b) specific disclosure of a valuation opinion of another *valuer* which is being relied upon,
  - (ii) the *fairness opinion* provider is not required to reach or disclose specific conclusions as to a valuation range or ranges in a *fairness opinion*,
  - (iii) the conclusion section of the *fairness opinion* must include specific reasons for the conclusion that the *subject transaction* is fair or not fair to security holders, from a financial point of view, and
  - (iv) support for each of these specific reasons described in clause 4276(2)(iii) must be contained in the body of the *professional opinion* in sufficient detail to allow the reader of the opinion to understand the principal judgments and principal underlying reasoning of the opinion provider in reaching its opinion as to the fairness of the transaction.

**4277. - 4299. Reserved.**



**RULE 4900 | OTHER INTERNAL CONTROL REQUIREMENTS – DERIVATIVES RISK MANAGEMENT**

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**4901. Introduction**

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

**4902. - 4909. Reserved.****DERIVATIVES RISK MANAGEMENT****4910. Introduction**

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

**4911. Reserved.****4912. Risk management process**

- (1) A *Dealer Member* must have a risk management function with clear independence and authority to ensure risk limit policies are developed and transactions and positions are monitored for adherence to these policies.
- (2) A *Dealer Member* must have a risk management process to identify, measure, manage, and monitor risks associated with the use of *derivatives*.
- (3) The risk management process has two parts:
  - (i) An appropriate *Executive* must be knowledgeable of the nature and risks of all *derivative* products used in treasury, proprietary, institutional and retail activities, and
  - (ii) The *Dealer Member's* policies and procedures must clearly outline risk management guidance for *derivatives* activities.
- (4) ~~Ann~~ A *Dealer Member's* financial accounting department must measure the *Dealer Member's* revenue components regularly and in sufficient detail to understand risk sources.

**4913. Role of board of directors**

- (1) A *Dealer Member's* board of directors or equivalent must approve policies and procedures relating to significant risk management to provide reasonable assurance they are consistent with the *Dealer Member's* overall broader business strategies and appropriate for market conditions.
- (2) An appropriate *Executive* must report at least annually to the *Dealer Member's* board of directors on a *Dealer Member's* risk exposure.

**4914. Role of an appropriate Executive**

- (1) An appropriate *Executive* must ensure that for *derivative* products:
  - (i) The *Dealer Member's* policies and procedures specifically address processing, trading, monitoring and reporting cycles including:

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- (a) clear responsibility lines for risk management,
  - (b) an adequate system for measuring risk,
  - (c) appropriate risk position limits,
  - (d) effective *internal controls*, and
  - (e) a comprehensive reporting process,
- (ii) if risk position limits are exceeded, there is a system to ensure that these excesses are approved only by authorized *employees* and communicated to an appropriate *Executive*,
  - (iii) all appropriate approvals are obtained and adequate operational procedures and risk control systems are in place,
  - (iv) appropriate risk control systems address market, credit, legal, operational, and liquidity risks,
  - (v) *derivatives* activities are undertaken by a sufficient number of professionals with appropriate experience, skill levels, and certification,
  - (vi) risk management procedures are regularly evaluated for appropriateness and soundness,
  - (vii) it approves all standard and non-standard *derivative* product programs,
  - (viii) there is an accurate, complete, informative, and timely management information system, and
  - (ix) the risk management function monitors and reports risk metrics to the *Dealer Member's* appropriate *Executives* and to the *Dealer Member's* board of directors or equivalent.

### 4915. Pricing

- (1) In addition to the requirements in Part C of Rule 4200, a *Dealer Member* must comply with the requirements in subsections 4915(2) through 4915(4) in pricing *derivatives*.
- (2) *Derivatives* positions must be marked to market at least daily.
- (3) A *Dealer Member's* independent risk management function must:
  - (i) validate all pricing models, including computing market data or model inputs,
  - (ii) review and approve pricing models and valuation systems used by front and back-office *employees*, and
  - (iii) review and approve reconciliation procedures if different systems are used.
- (4) Valuations derived from models must be independently reviewed at least monthly.

### 4916. – 4999. Reserved.

**RULE 5400 | MARGIN REQUIREMENTS FOR OTHER INVESTMENT PRODUCTS**

**5401. Introduction**

- (1) Rule 5400 sets out specific *Dealer Member inventory margin* and *client account margin* requirements for investment products not covered in Rules 5200 or 5300. The order of subjects in Rule 5400 is:
- (i) securities subject to redemption call or offer [section 5410],
  - (ii) units [section 5420],
  - (iii) precious metal certificates and bullion [section 5430],
  - (iv) swap contracts [sections 5440 through 5442],
  - (v) mutual fund positions [section 5450], and
  - (vi) foreign exchange positions [sections 5460 through 5469].

**5402. - 5409. Reserved.**

**SECURITIES SUBJECT TO REDEMPTION CALL OR OFFER**

**5410. Securities subject to redemption call or offer**

- (1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for securities subject to redemption call or offer are as follows:

Conditions	Minimum margin required	
	Category (i) Securities called for cash redemption according to their terms and conditions	Category (ii) Securities subject to a binding cash offer, for which all conditions have been met
Cash offer for all the issued and outstanding class of securities	No margin required provided the <i>market value</i> of the position is no greater than the amount of the cash offer	
Cash offer for a fraction of the issued and outstanding class of securities	For fraction subject to cash offer, no margin required provided the <i>market value</i> of the fractional position is no greater than the amount of the cash offer.  For remainder of the position, <i>normal margin</i> (as determined elsewhere in Rules 5200 through 5900) would apply.	

**5411. - 5419. Reserved.**

**UNITS**

**5420. Units**

- (1) The minimum *Dealer Member inventory margin* and *client account margin* requirement for units is the sum of the margin required for each of the unit components.

**5421. - 5429. Reserved.**

**PRECIOUS METAL CERTIFICATES AND BULLION**

**5430. Precious metal certificates and bullion**

- (1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for precious metal certificates and bullion are as follows:

Precious metal investment type	Minimum margin required expressed as a percentage of market value
Negotiable certificates issued by <i>chartered banks</i> and trust companies authorized to do business in Canada, evidencing an interest in one of gold, platinum or silver	20%
Gold or silver bullion purchased by a <i>Dealer Member</i> for inventory or on behalf of a client, from the Royal Canadian Mint or a <i>chartered bank</i> that is a market making member, <del>ordinary member</del> or <del>associate</del> <u>full</u> member of the London Bullion Market Association	20%

- (2) The *Dealer Member* must have a written representation from bullion vendor stating that the bullion are London Bullion Market Association good delivery bars for the bullion to be margin eligible under subsection 5430(1).

**5431. - 5439. Reserved.**

**INTEREST RATE AND TOTAL PERFORMANCE SWAPS**

**5440. Interest rate swaps**

- (1) For *interest rate swaps* where payments are calculated with reference to a notional amount, the *Dealer Member* obligation to pay and entitlement to receive shall each be margined as separate components as follows:
- (i) where a component is a payment calculated according to a *fixed interest rate*, the margin required is the margin rate percentage specified in subsection 5210(1) category (i) for a security with the same term to maturity as the outstanding term of the swap, multiplied by 125% and in turn multiplied by the notional amount of the swap, and
  - (ii) where a component is a payment calculated according to a *floating interest rate*, the margin required is the margin rate percentage specified in subsection 5210(1) category (i) for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

**5441. Total performance swaps**

- (1) For *total performance swaps*, where payments are calculated with reference to a notional amount, the *Dealer Member* obligation to pay and entitlement to receive shall each be margined as separate components as follows:
- (i) where a component is a payment calculated based on the performance of a stipulated *underlying security* or *underlying basket of securities*, with reference to a notional amount, the margin requirement is the *normal margin required* for the *underlying security* or

*underlying basket of securities* relating to this component, based on the *market value* of the *underlying security* or *underlying basket of securities*, and

- (ii) where a component is a payment calculated according to a *floating interest rate*, the margin required is the margin rate percentage specified in subsection 5210(1) category (i) for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

**5442. Swap counterparty margin requirements**

- (1) The counterparty to the swap agreement is considered the *Dealer Member's* client and the minimum margin the *Dealer Member* shall obtain from the swap client is as follows:
  - (i) where the swap client is an *acceptable institution*, no margin, or
  - (ii) where the swap client is an *acceptable counterparty* or *regulated entity*, any *market value* deficiency calculated relating to the swap agreement, or
  - (iii) where the counterparty is an other counterparty, any *loan value* deficiency calculated relating to the swap agreement determined by using the same approach as set out in sections 5440 and 5441 for *Dealer Member* swap positions.
- (2) No margin is required in sub-clause 5442(1)(ii) provided:
  - (i) the *Dealer Member* takes action to correct the *market value* deficiency, and
  - (ii) the *market value* deficiency exists for less than one *business day*.

**5443. - 5449. Reserved.**

**MUTUAL FUNDS**

**5450. Margin requirements for mutual fund positions**

- (1) The minimum *Dealer Member inventory margin* and *client account margin* rates (or dollar amounts per share) for securities of mutual funds qualified by prospectus for sale in any province of Canada are:
  - (i) for money market mutual funds (as defined in National Instrument 81-102), 5% of the *market value* of the fund, and
  - (ii) for all other mutual funds, the margin rate determined in subsection 5310(1) (using the per unit *market value* of the mutual fund) multiplied by the *market value* of the fund.

**5451. - 5459. Reserved.**

**FOREIGN EXCHANGE POSITIONS**

**5460. General margin requirements for foreign exchange positions**

- (1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for a particular *foreign exchange position* are the aggregate of the spot risk margin requirement and term risk margin requirement, calculated using one of the following groups of spot risk margin rates and term risk margin rates for the relevant foreign currency:

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<b>Spot risk and term risk margin required as a percentage of market value of the foreign exchange position</b>				
<b>Currency Group</b>				
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Spot risk margin rate</b>	greater of: (i) 1.00% and (ii) spot risk surcharge rate	greater of: (i) 3.00% and (ii) spot risk surcharge rate	greater of: (i) 10.00% and (ii) spot risk surcharge rate	25.00%
<b>Term risk margin rate</b>	lesser of: (i) 1.00% x <i>foreign exchange position term to maturity</i> , and (ii) 4.00%	lesser of: (i) 3.00% x <i>foreign exchange position term to maturity</i> , and (ii) 7.00%	lesser of: (i) 5.00% x <i>foreign exchange position term to maturity</i> , and (ii) 10.00%	lesser of: (i) 12.50% x <i>foreign exchange position term to maturity</i> , and (ii) 25.00%

- (2) The foreign exchange currency group that a particular country currency qualifies for is determined based on the currency group criteria set out in subsection 5461(1).
- (3) The spot risk margin surcharge rate that may be in effect from time to time for a particular country currency is determined using the approach set out in subsection 5462(2).
- (4) *Dealer Members* are permitted at their option to margin certain inventory positions in accordance with section 5467 instead of the other applicable provisions within sections 5461 through 5466.
- (5) References to conversion to Canadian dollars at the *spot exchange rate* are to the rate quoted by a recognized quote vendor for contracts with a *term to maturity* of one day.
- (6) *Monetary assets and liabilities* are assets and liabilities, respectively, of a *Dealer Member* in respect of money and claims to money whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.
- (7) Inventory long or short currency *futures contracts* listed on a futures exchange which are included in the unhedged foreign exchange calculations hereunder are not required to be margined pursuant to section 5790.
- (8) *Dealer Members* are permitted at their option to exclude non-allowable *monetary assets* from *monetary assets* for the purpose of calculating the margin requirement within sections 5461 through 5467.
- (9) The *foreign exchange position term to maturity* is the term to maturity of a particular *foreign exchange position* expressed in years.

**5461. Foreign exchange currency group criteria and monitoring**

- (1) **Criteria** - The qualitative and quantitative criteria for initial qualification within each currency group are as follows:
  - (i) A Group 1 currency must:

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- (a) have a spot price volatility level of less than or equal to 1.00%, and
- (b) be a primary intervention currency of the Canadian dollar.
- (ii) A Group 2 currency must:
  - (a) have a spot price volatility level of less than or equal to 3.00%,
  - (b) have a daily quoted spot rate by a Schedule 1 *chartered bank*, and
  - (c) have either:
    - (I) a daily quoted spot rate by either:
      - (A) a member of the Economic and Monetary Union, or
      - (B) a participant in the Exchange Rate Mechanism II,
    - or
    - (II) a listed currency *futures contract* on a futures exchange.
- (iii) A Group 3 currency must:
  - (a) have a spot price volatility level of less than or equal to 10.00%,
  - (b) have a daily quoted spot rate by a Schedule 1 *chartered bank*, and
  - (c) be of a member country of the International Monetary Fund with Article VIII status, and no capital payment restrictions as they relate to security transactions.
- (iv) A Group 4 currency has no initial or ongoing qualification criteria.

(2) **Monitoring currency adherence to group qualitative criteria -**

On at least an annual basis, the *Corporation* shall assess the adherence of each currency in a group to the qualitative criteria of the particular currency group to determine whether the currency continues to satisfy the qualitative criteria of the currency group.

(3) **Currency group upgrades and downgrades –** Where the *Corporation* determines that a particular currency:

- (i) should be upgraded, because it now satisfies the criteria set out in subsection 5461(1) for a currency group other than its current currency group, or
- (ii) should be downgraded, because it no longer satisfies its current currency group criteria as set out in subsection 5461(1),

The *Corporation* shall recommend for approval its proposed upgrade or downgrade to the *Corporation's* Financial and Operations Advisory Section. Upon the *Corporation's* Financial and Operations Advisory Section approval, the *Corporation* shall notify *Dealer Members* of the upgrade or downgrade.

### 5462. Spot risk margin rate

- (1) **Minimum rates** - The minimum spot risk margin rates for each Currency Group are as follows:

<b>Minimum spot risk margin required as a percentage of market value of the foreign exchange position</b>			
<b>Currency Group</b>			
1	2	3	4

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Minimum spot risk margin rate	1.00%	3.00%	10.00%	25.00%
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- (2) **Spot price volatility levels** - To monitor the volatility of each Group 1, 2 or 3 currency, the Canadian dollar equivalent closing price on each of the four trading days succeeding the "base day" is compared to the base day closing price. The first of four succeeding trading days on which the percentage change in price (negative or positive) between the closing price on the succeeding day and the closing price on the base day is greater than the spot risk margin rate prescribed for the particular currency in subsection 5460(1) is designated an "offside base day". If an offside base day has been designated, the offside base day is designated the base day for the purpose of making further base day closing price comparisons.

If the number of offside base days during any 60 trading day period is greater than three, the currency is deemed to have exceeded the volatility threshold of the currency group.

If the volatility of a Group 1, 2 or 3 currency exceeds the volatility threshold, the individual currency spot risk margin rate is increased by increments of 10% until the application of the increased margin rate would result in no more than two offside days during the preceding 60 trading days. The increased margin rate shall apply for a minimum of 30 trading days and is automatically decreased to the margin rate otherwise applicable when after such 30 trading day period the volatility of the currency is less than the volatility threshold.

The *Corporation* is responsible for determining the required increase or decrease in foreign exchange spot risk margin rates under this subsection 5462(2).

### 5463. Spot risk margin requirement

- (1) The spot risk margin requirement applies to all *monetary assets and liabilities*, regardless of *term to maturity*, and must be calculated as:

*net long (short) foreign exchange position*                      x            spot risk margin rate

- (2) The spot risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate*.

### 5464. Term risk margin requirement

- (1) The term risk margin requirement applies to all *monetary assets or liabilities* with a *term to maturity* of over two *business days* and must be calculated for each individual asset and liability as:

*foreign exchange position*    x            term risk margin rate for the position

- (2) The term risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate*.

### 5465. Maximum security margin requirement

- (1) The sum of:
- (i) the spot risk margin requirement,
  - (ii) the term risk margin requirement, and
  - (iii) the security margin requirement as determined elsewhere in these Rules,



must not exceed 100% of the *market value* of the security.

**5466. Foreign exchange position offsets for Dealer Members**

- (1) A Dealer Member must calculate *Dealer Member inventory margin* and *client margin* for *foreign exchange positions* according to the currency groups and rates in subsection 5460(1).
- (2) If a Dealer Member has a *monetary asset* and *monetary liability* in the same currency, the term risk margin requirement may be netted according to the following table:

Dealer Member position	Term risk margin requirement
(i) <i>Monetary asset</i> and <i>monetary liability</i> , both with a <i>term to maturity</i> of 2 years or less	Term risk margin requirement for both positions may be netted
(ii) <i>Monetary asset</i> and <i>monetary liability</i> , both with a <i>term to maturity</i> of over 2 years	Term risk margin requirement for both positions is the greater of term risk margin requirement for the <i>monetary asset</i> and the <i>monetary liability</i> .
(iii) <i>Monetary asset</i> ( <i>monetary liability</i> ) with a <i>term to maturity</i> of 2 years or less and <i>monetary liability</i> ( <i>monetary asset</i> ) with a <i>term to maturity</i> of over 2 years where difference in the terms to maturity is 180 days or less.	Term risk margin requirement for both positions may be netted

- (3) If a Dealer Member has a *monetary asset* and a *monetary liability* in the same currency group and one of the positions has a *term to maturity* of 2 years or less and the other has a *term to maturity* of more than 2 years, the term risk margin requirement for the two positions need not be greater than the following:

Currency Group			
1	2	3	4
<i>Market value</i> of positions offset	<i>Market value</i> of positions offset	<i>Market value</i> of positions offset	<i>Market value</i> of positions offset
x	x	x	x
5.00%	10.00%	20.00%	50.00%

**5467. Alternative calculation approach for Dealer Member foreign exchange positions**

- (1) As an alternative to the foreign exchange margin requirement determined under sections 5463 through 5466 for futures and forward contract inventory positions denominated in a currency which has a currency *futures contract* which trades on a futures exchange, the foreign exchange margin requirement may be calculated as follows.
  - (i) **Futures contracts** - *Foreign exchange positions* consisting of *futures contracts* may be margined at the margin rates prescribed by the futures exchange on which the *futures contracts* are listed.
  - (ii) **Forward contracts offsets** - Forward contract positions which are not denominated in Canadian dollars may be margined as follows:

- (a) the margin requirement is the greater of the requirement determined under sections 5463 through 5466 on each of the two positions,
  - (b) two forward contracts held by a *Dealer Member* which have one currency common to both contracts, are for the same value date, and the amount of the common currency positions are equal and offsetting, may be treated as a single contract for the purposes of sub-clause 5467(1)(ii)(b).
- (iii) **Futures and forward contract offsets** - Futures and forward contract positions which are not denominated in Canadian dollars may be margined as follows:
- (a) (I) the margin requirement is the greater of the requirement determined under sections 5463 through 5466 on each of the two positions,
  - (II) margin rates applicable to unhedged positions under paragraph 5467(1)(iii)(a)(I) are the rates established by sections 5461 through 5466 and not the rates prescribed by the futures exchange on which the *futures contracts* are listed,
  - (b) two forward contracts held by a *Dealer Member* which have one currency common to both contracts, are for the same value date, and the amount of the common currency positions are equal and offsetting, may be treated as a single contract for the purposes of sub-clause 5467(1)(iii)(b).

**5468. Client account margin requirements**

- (1) The minimum *client account margin* requirements for *foreign exchange positions* are the aggregate of the spot risk margin requirement and term risk margin requirement calculated for each position provided that:
- (i) Where the positions are held in an account of:
    - (a) an *acceptable institution*, no margin is required, or
    - (b) an *acceptable counterparty* or a *regulated entity*, margin is calculated on a mark-to-market basis.
  - (ii) The margin required in respect of *foreign exchange positions* (excluding cash balances) held in the accounts of clients who are classified as other counterparties, as defined in Form 1, which are denominated in a currency other than the currency of the account, is the aggregate of the security margin requirement and the foreign exchange margin requirement, provided that where the margin rate applicable to the security is greater than the spot risk margin rate, the foreign exchange margin requirement is nil. The sum of the security margin requirement and the foreign exchange margin requirement shall not exceed 100%.
  - (iii) Listed *futures contracts* are margined in the same manner as prescribed in section 5790.

**5469. Foreign exchange concentration charge**

- (1) In respect of any Group 2, Group 3 or Group 4 currency, a concentration charge as calculated in subsection 5469(2) may apply.
- (2) The concentration charge that applies for any Group 2, Group 3 or Group 4 currency, is any excess of the aggregate of the foreign exchange margin provided under sections 5461 through

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5468 on a *Dealer Member's monetary assets and monetary liabilities* and the foreign exchange margin on client accounts over 25% of the firm's net allowable assets net of minimum capital (as determined for the purposes of Form 1) as determined on a currency by currency basis.

**5470. – 5499. Reserved.**

**RULE 7100 | DEBT MARKETS**

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**7101. Introduction**

- (1) Rule 7100 establishes trading and settlement practices to promote fair and efficient *debt securities* markets. Unless expressly indicated, Rule 7100 makes no distinction between institutional and retail markets.
- (2) For greater certainty, the provisions set forth in Rule 7100 shall not be construed to abrogate or derogate from any other provision of general applicability found elsewhere within *Corporation requirements*.
- (3) Rule 7100 is divided into the following parts:
  - Part A - General
    - [sections 7102 and 7103]
  - Part B - Debt market trading
    - [sections 7104 through 7113]

**PART A - GENERAL**

**7102. General requirements**

- (1) A *Dealer Member* must ensure that its trading in the *debt securities* markets does not contravene any *applicable laws*, regulation, direction, or requirement, whether or not such requirement is binding or has the force of law, including without limitation the directions or requirements of the Bank of Canada or the Department of Finance (Canada).
- (2) A *Dealer Member* must not condone or knowingly facilitate conduct by its *affiliates*, clients, or counterparties that contravenes Rule 7100.

**7103. Policies and procedures**

- (1) A *Dealer Member's* policies and procedures must specifically address trading and conduct in the *debt securities* market to provide reasonable assurance of compliance with *securities laws* and *Corporation requirements*.
- (2) A *Dealer Member's* policies and procedures must specifically address the following items for the *debt securities* markets:
  - (i) restrictions of, and *controls* over, trading in *non-client accounts*,
  - (ii) a prohibition on the use of inside information,
  - (iii) a prohibition of front-running,
  - (iv) standards for fair allocation of new issues among clients,
  - (v) standards for prompt and accurate disclosure to clients and counterparties if any conflict of interest arises, and
  - (vi) for *retail client* accounts:
    - (a) written policies or guidelines issued to its *Registered Representatives* on the *Dealer Member's* mark-ups, mark-downs and commissions on *debt securities* sold to clients or purchased from clients, and

- (b) reasonable monitoring procedures to detect mark-ups, mark-downs or commissions that exceed the maximums specified by the *Dealer Member*, and to ensure any deviation is justified.
- (3) An *Executive* responsible for the appropriate business group of the *Dealer Member* must approve the policies, procedures and *internal controls* referred to in section 7103.
- (4) A *Dealer Member* must regularly review its policies and procedures to ensure they are appropriate for the size, nature, and complexity of the *Dealer Member's* business.

## PART B - DEBT MARKET TRADING

### 7104. Trading personnel

- (1) ~~AA~~ *Dealer Member* must ensure that all personnel trading in the *debt securities* markets are:
  - (i) properly qualified and trained, and
  - (ii) aware of *Corporation requirements* and *applicable laws* relating to *debt securities* market trading.
- (2) A *Dealer Member* must ensure that its personnel use clear and unambiguous language in their trading activities.
- (3) A *Dealer Member's* personnel must be familiar with the appropriate trading terminology and conventions.
- (4) A *Supervisor* in the appropriate business group of the *Dealer Member* must supervise its trading activities.

### 7105. Confidentiality

- (1) Except with the express permission of the party concerned or as required by *applicable laws*, a *Dealer Member*:
  - (i) must ensure that its dealings with clients and counterparties are confidential,
  - (ii) must not disclose or discuss, or request that others disclose or discuss, any client's or counterparty's participation in the *debt securities* markets or the terms of any trading or anticipated trading, and
  - (iii) must ensure on a pre-trade basis that its own trading activities and planning strategies are kept confidential for market integrity purposes.
- (2) A *Dealer Member's* policies and procedures relating to *debt securities* must specifically address:
  - (i) restricting access to confidential information to the personnel that require it for their jobs,
  - (ii) confining trading by designated personnel to restricted-access office areas, and
  - (iii) using secure forms of communications and technology.
- (3) A *Dealer Member* that is a *Government Securities Distributor* (defined in section 7202) must comply with requests for information from the Bank of Canada.

### 7106. Resources and systems

- (1) A *Dealer Member* must have sufficient capital, liquidity support, and personnel to support its trading activities.

- (2) A *Dealer Member* must have comprehensive operating systems, including all aspects of risk management, transaction valuation, technology, and financial reporting to ensure full support for trading.

**7107. Conflicts of interest**

- (1) A *Dealer Member* must ensure that its dealings in *debt securities* markets are fair and transparent.
- (2) A *Dealer Member* must fulfill its duties to clients before its own interests or those of its personnel.

**7108. Duty to deal fairly**

- (1) A *Dealer Member* must observe high standards of ethics and conduct in transacting business to maintain investor confidence in the *debt securities* markets.
- (2) A *Dealer Member* must prohibit any business conduct or practice that is unbecoming or detrimental to the public interest.
- (3) A *Dealer Member* must act fairly, honestly, and in good faith when marketing, entering into, carrying out, and administering trades in the *debt securities* markets.

**7109. Manipulative and deceptive practices in the debt markets**

- (1) In its trading activities in the *debt securities* markets, a *Dealer Member* must not, directly or indirectly, engage or participate in any act, method or practice it knows or ought reasonably to know is manipulative or deceptive.
- (2) Without limiting the conduct prohibited by Rule 7100, the following are manipulative or deceptive practices:
  - (i) carrying out trades intended to artificially increase trading volumes,
  - (ii) carrying out trades intended to artificially change trading prices,
  - (iii) participating in or tacitly consenting to spreading rumours or information about issuers that are known, or ought reasonably to be known, to be false or misleading,
  - (iv) disseminating any information that falsely states or implies governmental approval of any institution or trading, or
  - (v) conspiring or colluding with another market participant to manipulate or unfairly deal in the *debt securities* markets.

**7110. Taking unfair advantage**

- (1) A *Dealer Member* must not engage in trading practices that take unfair advantage of clients or counterparties by:
  - (i) acting on knowledge of a new issue or client order to unfairly profit from the expected market movement or distorted market levels,
  - (ii) carrying out proprietary trades ahead of client orders on the same side of the market without first disclosing to the client the intention to do so and obtaining the client's approval,
  - (iii) profiting unfairly by using proprietary information that if released could reasonably be expected to affect market prices,
  - (iv) using material non-public information,

- (v) abusing market procedures or conventions to obtain an unfair advantage over, or unfairly prejudice, its counterparties or clients, or
- (vi) completing a trade when the price is clearly outside of the prevailing market and proposed or agreed to as a result of a manifest error.

**7111. Derivatives trading**

- (1) The prohibitions in sections 7109 and 7110 apply to trading in *derivatives of debt securities*.

**7112. Prohibited practices**

- (1) A *Dealer Member* must not accept any order or carry out any trade where the *Dealer Member* knows, or has reasonable grounds to believe, the result would contravene *Corporation requirements* or any *applicable laws*.
- (2) An *Approved Person* or *employee* of a *Dealer Member* must not accept any material consideration, including *remuneration*, *gratuity* or *benefit*, from any *person* other than the *Dealer Member* for any activities conducted on behalf of a client.
- (3) A *Dealer Member* must not offer any consideration, including *remuneration*, *gratuity*, or *benefit*, to any partner, director, officer, employee, agent or shareholder of a client or any *associate* of such *persons*, unless the prior written consent of the client has been obtained.
- (4) Consideration that is non-monetary, of minimal value and infrequent such that it will not cause a reasonable person to question whether it created a conflict of interest is not consideration under subsections 7112(2) and 7112(3).

**7113. Surveillance and reporting**

- (1) A *Dealer Member* must monitor the trading and conduct of its *employees* and *agents* in the *debt securities* markets.
- (2) A *Dealer Member* must promptly report to the *Corporation* or other authority having jurisdiction, including the Bank of Canada:
  - (i) any breaches of *Corporation requirements*, or
  - (ii) suspicious or irregular market conduct.
- (3) When requested by the *Corporation* or the Bank of Canada (with respect to Government of Canada securities), a *Dealer Member* and any *related company* must disclose, on a confidential basis, the respective par value of each of its holdings in certain specified assets, in the form prescribed by the Bank of Canada (also known as a “Net Position Report”). On request, a *Dealer Member* must also provide any other information to identify large holdings that would permit a participant to have undue influence over the *debt securities* markets.

**7114. – 7199. Reserved.**

**RULE 7200 | TRANSACTION REPORTING FOR DEBT SECURITIES**

**7201. Introduction**

- (1) Rule 7200 requires *Dealer Members* to report information about each of their transactions (and the transactions of any *affiliate* that is a *Government Securities Distributor* (defined in section 7202)) in *debt securities* to the *Corporation* through a system maintained by the *Corporation*.
- (2) The reported transaction data required by Rule 7200 is used in the *Corporation's* surveillance of the *debt securities* market to identify potential market abuses such as violations of the fair pricing requirements of section 3125, insider trading and market manipulation. It also supports the *Corporation's* general inspection and enforcement activities, rulemaking, and other regulatory functions. The trade data received pursuant to Rule 7200 enables appropriate oversight to ensure the integrity of over-the-counter *debt securities* market trading and strengthen standards of investor protection.
- (3) For the purposes of Rule 7200, fact that a security was issued in another country or denominated in a foreign currency does not disqualify it from being a *debt security*.

**7202. Definitions**

- (1) The following terms have the meaning set out below when used in Rule 7200:

“authorized agent”	A <i>Dealer Member</i> or other business entity that has successfully enrolled with the <i>Corporation</i> under section 7205 to submit debt securities transaction reports on behalf of <i>Dealer Members</i> .
“CUSIP”	Committee on Uniform Securities Identification Procedures.
“file receipt”	An electronic acknowledgement that confirms the transaction reporting data file has been successfully transmitted.
“Government Securities Distributor”	An entity that has been given notice of its status as such by the Bank of Canada and applies to those bidders eligible to participate directly in the tender process at Government of Canada auctions.
“ISIN”	International Securities Identification Number.
“MTRS 2.0”	The Market Trade Reporting System operated by the <i>Corporation</i> for reporting <i>debt securities</i> transactions.
“MTRS 2.0 Enrollment Form”	The form filed by a <i>Dealer Member</i> with the <i>Corporation</i> to supply contact and other information that may be needed by the <i>Corporation</i> in connection with the <i>Dealer Member's</i> reporting of <i>debt securities</i> transactions. An MTRS 2.0 Enrollment Form must also be filed by any party seeking to act as an <i>authorized agent</i> for a <i>Dealer Member</i> in reporting transaction data to <i>MTRS 2.0</i> .
“riskless principal trade”	A trade in a <i>debt security</i> that involves two offsetting orders (buy and sell) that are filled through transactions executed against <del>an</del> <i>Dealer Member's</i> trading or other proprietary account, with the execution of one of the orders dependent upon the receipt or execution of the other. A riskless principal trade results in two offsetting principal transactions on the <i>Dealer Member's</i> books, rather than one agency transaction. A <i>Dealer Member</i> typically performs a riskless principal trade to fill a client order with an offsetting transaction in the market or with another client.



<p>“special condition indicator”</p>	<p>A code used on a transaction report to indicate that the transaction has certain attributes. Among other uses, the special condition indicator helps to identify transactions that may be priced differently than other transactions in the same issue (for instance, a primary market transaction subject to a fixed price offering agreement). Special condition indicators are also used to identify <i>repurchase agreement</i> transactions, transactions that involve parties related to the <i>Dealer Member</i> executing the transaction, and certain other conditions that may apply to a transaction and that are relevant to the regulatory and market surveillance purposes of Rule 7200.</p>
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**7203. Reporting requirements**

- (1) Every *Dealer Member* must report each of its transactions in *debt securities* (including *repurchase agreement* transactions or *reverse repurchase agreement* transactions) and the transactions in *debt securities* (including *repurchase agreement* transactions or *reverse repurchase agreement* transactions) of any *affiliate* that is a *Government Securities Distributor*, to the *Corporation* within the timeframes and in the manner specified in Rule 7200, subject to the exceptions stated below in subsection 7203(2).
- (2) The following must not be reported under subsection 7203(1):
  - (i) a transaction in *debt securities* that have no *ISIN* or *CUSIP* number assigned on the date of trade execution, except that, if that transaction is a new issue of a *debt security*, it shall be reported within the timeframe stated in clause 7204(1)(ii),
  - (ii) a transaction in exchange listed *debt securities* executed on a *Marketplace* that transmits to the *Corporation* trade information required under National Instrument 23-101,
  - (iii) a transaction between two separate business units or profit centres within the reporting *Dealer Member* where there is no change in *beneficial ownership*,
  - (iv) a *repurchase agreement* transaction or *reverse repurchase agreement* transaction executed by a *Dealer Member* that is not a *Government Securities Distributor*,
  - (v) a transaction in which the Bank of Canada or the Bank of Canada on behalf of the Government of Canada is the counterparty, and
  - (vi) a transaction, other than a *repurchase agreement* transaction or *reverse repurchase agreement* transaction, executed by an *affiliate* that is a *Government Securities Distributor* only for Government of Canada treasury bills, in a *debt security* with an original term to maturity of greater than one year.
- (3) Reporting responsibilities in the most common situations are as follows:
  - (i) in a transaction between a *Dealer Member* and a client or non-client, the *Dealer Member* reports,
  - (ii) in a transaction between a *Dealer Member* and an *inter-dealer bond broker* or issuer, the *Dealer Member* reports, and
  - (iii) in a transaction between a *Dealer Member* and an Alternative Trading System, the *Dealer Member* must report. In a transaction between an Alternative Trading System and a client, the Alternative Trading System reports.

## Corporation Investment Dealer and Partially Consolidated Rules

- (4) A *Dealer Member* may use an *authorized agent* to submit transactions to MTRS 2.0. A *Dealer Member* utilizing an *authorized agent* for transaction reporting remains responsible for compliance with Rule 7200.
- (5) A *Dealer Member* is required to obtain a *Legal Entity Identifier* and must comply with all applicable requirements imposed by the *Global Legal Entity Identifier System*.
- (6) Transaction reports made under subsection 7203(1) must accurately and completely reflect the reported transaction and must contain the following data elements relevant to a bond or *repurchase agreement* transaction or *reverse repurchase agreement* transaction, as applicable:

No.	Data	Description
1.	SECURITY IDENTIFIER	The <i>ISIN</i> number or <i>CUSIP</i> number assigned to the securities in the transaction
2.	SECURITY IDENTIFIER TYPE	The type of identifier that was submitted, <i>ISIN</i> or <i>CUSIP</i>
3.	TRADE IDENTIFIER	Unique identifier assigned to the transaction by the reporting <i>Dealer Member</i>
4.	ORIGINAL TRADE IDENTIFIER	Included on trade cancelations or corrections
5.	TRANSACTION TYPE	Indicates whether the transaction is new, a cancelation, or a correction
6.	EXECUTION DATE	The day the transaction was executed
7.	EXECUTION TIME	The time at which the transaction was executed, either as recorded by an electronic trading system or time of entry into a trade booking system
8.	SETTLEMENT DATE	The date the transaction is reported to settle
9.	TRADER IDENTIFIER	Assigned by reporting <i>Dealer Member</i> to identify the <i>individual</i> /desk responsible for the transaction
10.	REPORTING DEALER IDENTIFIER	The <i>Legal Entity Identifier</i> of the reporting <i>Dealer Member</i>
11.	COUNTERPARTY TYPE	Indicates whether the counterparty was a client, non-client, a <i>Dealer Member</i> , a <i>Dealer Member</i> acting as an Alternative Trading System, an <i>inter-dealer bond broker</i> (IDBB), an issuer or a bank
12.	COUNTERPARTY IDENTIFIER	The <i>Legal Entity Identifier</i> of the counterparty, when the counterparty is a <i>Dealer Member</i> , bank, <i>inter-dealer bond broker</i> (IDBB), or Alternative Trading System. Bank trades are defined as trades with Schedule I <i>chartered banks</i> and Canadian offices of Schedule II <i>chartered banks</i>
13.	CLIENT ACCOUNT TYPE	Indicates whether the client is a <i>retail client</i> or an <i>institutional client</i> . This field must be populated if the counterparty type is 'client'
14.	CLIENT LEI	The <i>Legal Entity Identifier</i> of the client supervised as an <i>institutional client</i> .
15.	CLIENT ACCOUNT IDENTIFIER	The account number of the client supervised as a <i>retail client</i> .
16.	INTRODUCING/ CARRYING DEALER INDICATOR	Indicates whether the reporting <i>Dealer Member</i> acted in the capacity of an <i>introducing broker</i> or <i>carrying broker</i>

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No.	Data	Description
17.	ELECTRONIC EXECUTION INDICATOR	Indicates if the transaction was executed on or facilitated through an electronic trading venue
18.	TRADING VENUE IDENTIFIER	The <i>Legal Entity Identifier</i> of the electronic trading venue
19.	SIDE	Indicates whether the reporting <i>Dealer Member</i> was a buyer or seller
20.	QUANTITY	Par value of securities
21.	PRICE	The price at which the transaction was executed, including any mark-ups or mark-downs or commission
22.	BENCHMARK SECURITY IDENTIFIER	The <i>ISIN</i> or <i>CUSIP</i> of the bond used as pricing benchmark (if any)
23.	BENCHMARK SECURITY IDENTIFIER TYPE	The type of identifier that was submitted, <i>ISIN</i> or <i>CUSIP</i>
24.	YIELD	The yield as stated on the client confirmation
25.	COMMISSION	For <i>retail client</i> transactions, the total amount of any mark-up or mark-down, commission or other services charges as stated on the client confirmation
26.	CAPACITY	Indicates whether the <i>Dealer Member</i> acted as principal or agent ( <i>riskless principal trades</i> reported as principal)
27.	PRIMARY MARKET	<i>Special condition indicator</i> to indicate that the transaction is being submitted by an underwriter of a new issue of <i>debt securities</i> and that, at the time of the transaction, the securities were subject to a fixed price offering agreement. "Take-down" allocations from a syndicate manager to syndicate members are included in this designation as well as customer allocations by any member of the underwriting group subject to a fixed price offering agreement at the time of trade
28.	RELATED PARTY INDICATOR	<i>Special condition indicator</i> to indicate that the counterparty is an <i>affiliate</i> of the <i>Dealer Member</i>
29.	NON RESIDENT INDICATOR	<i>Special condition indicator</i> to indicate that the transaction is one with a non-resident counterparty
30.	FEE BASED ACCOUNT INDICATOR	<i>Special condition indicator</i> to indicate that the transaction is for a <i>retail client</i> account paying non-transaction-based fees as partial or full <i>remuneration</i> for the <i>Dealer Member's</i> transaction execution services
Elements specific to <i>repurchase agreement</i> transactions or <i>reverse repurchase agreement</i> transactions:		
No.	Data	Description
31.	REPO AGREEMENT IDENTIFIER	Unique identifier assigned to the <i>repurchase agreement</i> transaction or <i>reverse repurchase agreement</i> transaction by the reporting <i>Dealer Member</i>
32.	REPO TYPE	Indicates whether the transaction was conducted as part of a <i>repurchase agreement</i> , a <i>reverse repurchase agreement</i> , a sell/buy-back, or a buy/sellback

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No.	Data	Description
33.	REPO TERM	Indicates whether the <i>repurchase agreement</i> transaction or <i>reverse repurchase agreement</i> transaction has fixed term or is an open term <i>repurchase agreement</i> transaction or <i>reverse repurchase agreement</i> transaction. May indicate whether <i>repurchase agreement</i> transaction or <i>reverse repurchase agreement</i> transaction is evergreen or extendable. Optional values
34.	REPO MATURITY DATE	The maturity date if the <i>repurchase agreement</i> transaction or <i>reverse repurchase agreement</i> transaction has a term
35.	CURRENCY OF REPO	The currency denomination of the cash payment used for the initial purchase of the security in a <i>repurchase agreement</i> or <i>reverse repurchase agreement</i>
36.	REPO RATE	The <i>repurchase agreement</i> or <i>reverse repurchase agreement</i> interest rate. If the interest rate is not a term of the contract, then it is the interest rate implied by the difference between the sale (purchase) price and its repurchase (resale) price
37.	REPO HAIRCUT	The <i>repurchase agreement</i> or <i>reverse repurchase agreement</i> haircut. If the haircut is not a term of the contract, then it is the haircut implied by the disparity between the purchase price and the <i>market value</i> of the security at the time of initial purchase
38.	REPO COLLATERAL SECURITY TYPE	Where the <i>Dealer Member</i> is aware of the collateral being used, indicates the type of identifier that was submitted for a single security, ( <i>ISIN</i> or <i>CUSIP</i> ), or if the <i>repurchase agreement</i> transaction or <i>reverse repurchase agreement</i> transaction is for multiple securities.  Where the <i>Dealer Member</i> is not aware of the collateral being used, indicates general.
39.	REPO COLLATERAL SECURITY IDENTIFER	The <i>ISIN</i> or <i>CUSIP</i> number of the security underlying a <i>repurchase agreement</i> transaction or <i>reverse repurchase agreement</i> transaction at the beginning of the agreement if a single security is used as collateral
40.	CLEARING HOUSE	If the <i>repurchase agreement</i> transaction or <i>reverse repurchase agreement</i> transaction was centrally cleared, the <i>Legal Entity Identifier</i> of the central clearing house
41.	TRI-PARTY REPO INDICATOR	Indicates whether the <i>repurchase agreement</i> transaction or <i>reverse repurchase agreement</i> transaction is a tri-party repo.

- (7) The reporting *Dealer Member* must ensure that the registration status of its *Legal Entity Identifier* has not lapsed.

### 7204. Reporting timeframes

- (1) A *Dealer Member* must ensure that a transaction report for which the *Dealer Member* is responsible is received by the *Corporation* in proper form and with complete and accurate information within the following timeframes:

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- (i) for transactions in *debt securities* with *ISIN* or *CUSIP* Numbers assigned on the date of trade execution:
  - (a) if the date of trade execution is a *business day* and the time of transaction execution is no later than 4:00 p.m., the report must be made no later than 10:00 p.m. on the same *business day* as the date of trade execution,
  - (b) if the date of trade execution is a *business day* and the time of transaction execution is after 4:00 p.m., the report:
    - (I) may be made by 10:00 p.m. on the same *business day* as the date of the transaction execution, and
    - (II) must be made no later than 10:00 p.m. on the first *business day* following the date of trade execution, and
  - (c) for all other transactions, including those executed on a Saturday, Sunday, or any officially recognized Federal or Provincial statutory holiday on which the system is closed, the report must be made no later than 10:00 p.m. on the first *business day* following the date of trade execution,

provided, however, that:

- (ii) for transactions in new issue *debt securities* with no *ISIN* or *CUSIP* number assigned, a transaction report required under clause 7203(2)(i) must be made:
    - (a) where the *ISIN* or *CUSIP* is assigned before 4:00 p.m., no later than 10:00 p.m. on the same *business day* that the *ISIN* or *CUSIP* number is assigned,
    - (b) where the *ISIN* or *CUSIP* is assigned after 4:00 p.m., no later than 10:00 p.m. on the first *business day* following the day that the *ISIN* or *CUSIP* was assigned.
- (2) Upon a successful submission and receipt by the *Corporation* of transaction reports, *MTRS 2.0* provides the submitter with *file receipts*, which must be retained by the *Dealer Member*:
- (i) in a central, readily accessible place for a period of two years from the date of each *file receipt*, and
  - (ii) in any location from which the *File Receipts* may be retrieved within a reasonable period of time for a period of seven years from the date of each *file receipt*.

### 7205. Enrollment requirements

- (1) A *Dealer Member* or *authorized agent* that will submit *debt securities* transaction reports to *MTRS 2.0* must enroll in *MTRS 2.0* and receive file submission credentials from the *Corporation* by completing the *MTRS 2.0 Enrollment Form* with all required information, including technical and business contact points.
- (2) Once enrolled, *Dealer Members* remain responsible for keeping all information on the *MTRS 2.0 Enrollment Form* up to date.

### 7206. – 7299. Reserved.