

**Consequential amendments to the Dealer Member Rules, UMIR, and Transition Rule No. 1**

1. The following consequential amendments are made to the Dealer Member Rules:
  - (a) Regarding the requirements for submitting complaints in writing to IIROC, Dealer Member Rule 19.3 is repealed.
  - (b) Dealer Member Rule 19.7 is repealed.
  - (c) Regarding the requirements for Dealer Members to provide information to certain exchanges, Dealer Member Rule 19.8 is repealed and new Dealer Member Rule 19 is enacted as follows:

**“RULE 19**

**Provision of Information**

19.1. A Dealer Member or any person approved by, or under the jurisdiction of, the Corporation, that is requested by a Canadian stock exchange to provide information in connection with an investigation of trading of a security listed on that exchange shall submit the requested information, books, records, reports, filings and papers to the exchange making the request in such manner and form, including electronically, as may reasonably be prescribed by such exchange.”

- (d) Regarding the Early Warning Level 2 prohibitions to which Dealer Members may be subject:
  - (i) Dealer Member Rule 30.6 is repealed.
  - (ii) Dealer Member Rule 20.28 is repealed and new Dealer Member Rule 30.6 is enacted as follows:

“30.6 **Imposition of Prohibitions - Early Warning Level 2**

- (1) The Corporation may order that a Dealer Member designated as being in Early Warning Level 2, pursuant to Rule 30.4, be prohibited from:
  - (a) opening any new branch offices;
  - (b) hiring any new registered representative, or investment representative;
  - (c) opening any new customer accounts; or
  - (d) changing, in any material respect, the inventory positions of the Dealer Member.
- (2) Written notice of an order made under subsection (1) shall be provided to the Dealer Member.”

**Appendix 3  
To Rules Notice 16-0122**

- (iii) Dealer Member Rule 30.7 is renumbered as Dealer Member Rule 30.8 and the words “pursuant to Part 9 Rule 20 or Rule 19” are replaced with the words “pursuant to Rule 19 or Rule 30”.
- (iv) Dealer Member Rule 20.29 is repealed and new Dealer Member Rules 30.7 is enacted as follows:

“30.7      **Review of Early Warning Level 2 Prohibitions**

- (1) The Dealer Member may request a hearing panel review of a Rule 30.6 order within three business days after release of the decision.
  - (2) If a request for review is made, the hearing shall be held as soon as reasonably possible and no later than twenty-one calendar days after the request for review, unless otherwise agreed by the parties. The hearing panel review shall be conducted in accordance with the requirements set out in Consolidated Rule 9300 (Regulatory Review Proceedings).
  - (3) If a Dealer Member does not request a review within the time period prescribed in subsection (1), the Rule 30.6 order becomes effective and final.”
- (v) Dealer Member Rule 30.8 is renumbered as Dealer Member Rule 30.9.

2. The following consequential amendments are made to the Universal Market Integrity Rules (UMIR):

(a) Regarding the defined terms used in UMIR:

(i) The term “Regulated Person” defined in Rule 1.1 of UMIR is:

- (A) renamed to “Subject Person”; and
- (B) amended by replacing the words “UMIR 10.3” in paragraph (c) of the definition with the words “Consolidated Rule 1400”.

(ii) References to the term “Regulated Person” in Rules 10.1, 10.5, 10.9 and 11.10 of UMIR and Policy 10.1 of UMIR are repealed and replaced with references to the term “Subject Person”.

(b) Regarding just and equitable principles of trade, Policy 2.1 of UMIR is repealed.

(c) Regarding specific unacceptable trading activities, Rule 2.1 of UMIR is enacted as follows:

**“2.1 Specific Unacceptable Activities**

- (1) Without limiting the generality of any other Rule, a Participant or Access Person shall not:

**Appendix 3**  
**To Rules Notice 16-0122**

- (a) enter into a transaction for the purpose of rectifying a failure in connection with a failed trade prior to the time that a report must be filed in accordance with Rule 7.10 if the Participant or Access Person knows or ought reasonably to know that such transaction will result in a failed trade; or
- (b) when trading a security on a marketplace that is subject to Marketplace Trading Obligations, intentionally entering on that marketplace on a particular trading day two or more orders which would impose an obligation on the person with Marketplace Trading Obligation to
  - (i) execute with one or more of the orders, or
  - (ii) purchase at a higher price or sell at a lower price with one or more of the orders

in accordance with the Marketplace Trading Obligations that would not be imposed on the person with Marketplace Trading Obligations if the orders had been entered on the marketplace as a single order or entered at the same time.

- (2) Without limiting the generality of any other Rule, a Participant shall not:
  - (a) directly or indirectly use another person to effect a trade other than on a marketplace in circumstances when an exemption is not available for the Participant to complete the trade other than on a marketplace in accordance with Rule 6.4;
  - (b) make a pattern of trading in a particular security with knowledge of an expression of interest by a client in that particular security; or
  - (c) without the specific consent of the client, enter client and principal orders in such a manner as to attempt to obtain execution of a principal order in priority to the client order;
- (3) A Participant or Access Person shall not enter an order on a marketplace that is intended to execute as a pre-arranged trade or an intentional cross without the prior approval of a Market Regulator if the pre-arranged trade or intentional cross would be undertaken at a price that will be:
  - (a) less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; or
  - (b) more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments.
- (4) As a condition for granting approval of the pre-arranged trade or intentional cross for the purposes of subsection (3), the Market Regulator may require the Participant or Access Person to enter a series of orders on one or more protected marketplaces over a period of time considered reasonable by the Market Regulator in order to move the market price to the price at which the pre-arranged trade or intentional cross will occur and that time period will generally be not less than:

**Appendix 3  
To Rules Notice 16-0122**

- (a) 5 minutes if the price variation from the best ask price or best bid price, as applicable, is more than 5% but less than 10%; and
    - (b) 10 minutes if the price variation is 10% or more.”
  - (d) Regarding the requirements within UMIR for trades to be on a marketplace:
    - (i) the first paragraph of Part 2 of Policy 6.4 of UMIR is repealed and replaced with the following:

“The Market Regulator considers that any use by a Participant of another person that is not subject to Rule 6.4 in order to make a trade off of a marketplace (other than as permitted by one of the exemptions) to be a violation of clause (a) of subsection (2) of Rule 2.1 respecting specific unacceptable activities.”
    - (ii) the first bullet following the first paragraph of Part 5 of Policy 6.4 of UMIR is repealed.
  - (e) Regarding the extension of the UMIR provisions to others, clauses (1)(a) and (2)(a) of Rule 10.4 are amended by repealing and replacing the words “just and equitable principles of trade” with the words “specific unacceptable activities”.
  - (f) Regarding the gatekeeper obligations within UMIR:
    - (i) clause (1)(a) of Rule 10.16 of UMIR is repealed and replaced with the following:

“(a) Subsection (1) of Rule 2.1 respecting specific unacceptable activities;”
    - (ii) clause (2)(a) of Rule 10.16 of UMIR is repealed and replaced with the following:

“(a) Subsection (2) of Rule 2.1 respecting specific unacceptable activities;”
  - (g) Regarding the transitional provisions within UMIR, Rule 11.8 of UMIR is repealed.
3. The following consequential amendments are made to Transition Rule No. 1:
- (a) New Schedule C.1 is enacted as follows:

**“SCHEDULE C.1**

**TO TRANSITION RULE NO. 1**

**CONSOLIDATED ENFORCEMENT, PROCEDURAL, EXAMINATION AND  
APPROVAL RULES**

**Preamble**

On June 9, 2016 and September 1, 2016, the Investment Industry Regulatory Organization of Canada (“IIROC”) implemented new rules which, in pith and

## **Appendix 3 To Rules Notice 16-0122**

substance, consolidate existing IIROC Rules relating to IIROC's enforcement, procedural, examination and approval activities, as well as codify certain practices relating thereto (the "Consolidated Rules"). The Consolidated Rules primarily effect non-substantive changes to existing Rules and practices. However, to the extent that any particular Consolidated Rule is found to create a substantive change in the rights or duties of an IIROC Regulated Person, such Rule shall only apply to conduct that occurred on or after September 1, 2016. In accordance with this principle, the following transition rules shall apply.

### **Part A. DEFINITIONS**

1.1. In this Rule:

"Consolidated Rules" refers to the IIROC Rules implemented on June 9, 2016 or September 1, 2016, which are Consolidated Rules 1200, 1400, 8100 through 8400 and 9100 through 9400.

"Consolidated Procedural Rules" refers to Consolidated Rules 8200 through 8400, other than sections 8206, 8209, 8210, 8214, and 8216.

"Enforcement Hearing" means a disciplinary hearing, a settlement hearing, an expedited hearing, a protective order hearing or a temporary order hearing under former UMIR 10 or Policy 10.8, former Dealer Member Rule 20.30, 20.33, 20.34, 20.42 or 20.43 or Consolidated Rule 8200 (Enforcement Proceedings), as applicable, and includes a hearing of any procedural application or motion in an Enforcement Proceeding.

"Enforcement Proceeding" means a proceeding relating to an Enforcement Hearing.

"Investigation" refers to any action taken by Enforcement staff pursuant to former Dealer Member Rule 19, former UMIR 10.2 or Consolidated Rule 8100 (Enforcement Investigations).

"Practice and Procedure" means the rules of practice and procedure governing a hearing brought pursuant to IIROC Rules.

"Review Hearing" means a review hearing concerning an approval matter, an exemption matter, an early warning review order, an expedited hearing decision, or a protective order hearing decision under:

- (i) former Dealer Member Rule 20.19, 20.26, 20.29 or 20.47, or
- (ii) new Dealer Member Rule 30.7 or subsection 9209(1) or (2) of Consolidated Rule 9200 (Approvals and Regulatory Supervision) and Consolidated Rule 9300 (Regulatory Review Proceedings), or
- (iii) sub-section 8212(5) of Consolidated Rule 8200 (Enforcement Proceedings),

as applicable, and includes a hearing of any procedural application or motion in relation to any such review hearing.

Terms used in this Transition Rule which are not defined herein shall have the same meanings as in other IIROC Rules in which they are used or defined. In the case of any inconsistency between terms used or defined in this Schedule C.1 to Transition

## **Appendix 3 To Rules Notice 16-0122**

Rule No. 1 and terms used or defined in other IIROC Rules, the meanings of such terms as used or defined in this Schedule C.1 shall prevail.

### **PART B. TRANSITIONAL PROVISIONS**

#### **1.1 Effective Date**

- (1) The Consolidated Rules shall take effect on September 1, 2016 (with the exception of Rule 8300 which shall take effect on June 9, 2016, subject to the transitional provisions set forth below.

#### **1.2. Investigations**

- (1) Any Investigation commenced by IIROC prior to, on or after September 1, 2016 shall be undertaken, continue and proceed, as applicable, in accordance with Consolidated Rule 8100, irrespective of when the conduct which is the subject of the investigation occurred.

#### **1.3. Enforcement Proceedings**

- (1) Any Enforcement Hearing commenced by IIROC in accordance with IIROC Rules prior to September 1, 2016 shall proceed in accordance with the Rules and Practice and Procedure in effect and applicable to such Enforcement Hearing at the time it was commenced.
- (2) Any Enforcement Hearing commenced on or after September 1, 2016 shall be undertaken and proceed in accordance with the Consolidated Procedural Rules, irrespective of when the conduct which is the subject of the Enforcement Hearing occurred.
- (3) The following Rules shall only apply in an Enforcement Proceeding the subject of which relates to conduct that occurred on or after September 1, 2016: Consolidated Rule 1400 (Standards of Conduct), section 8106 of Consolidated Rule 8100 (Enforcement Investigations) and sections 8206 (Limitation), 8209 (Sanctions for Dealer Members), 8210 (Sanctions for Regulated Persons other than Dealer Members), 8214 (Costs), and 8216 (Failure to Pay Fine or Costs) of Consolidated Rule 8200 (Enforcement Proceedings).

#### **1.4. Review Proceedings**

- (1) Any Review Hearing that has been requested prior to September 1, 2016 by IIROC or a Regulated Person in accordance with IIROC Rules in effect and applicable at the time of the request shall proceed in accordance with the Rules in effect and applicable to such Review Hearing at the time it was requested.
- (2) Any Review Hearing that is requested on or after September 1, 2016 shall be undertaken and proceed in accordance with

**Appendix 3**  
**To Rules Notice 16-0122**

- (i) section 9209 of Consolidated Rule 9200 (Approvals and Regulatory Supervision) or new Dealer Member Rule 30.7 and Consolidated Rule 9300 (Regulatory Review Proceedings), or
- (ii) subsection 8212(5) of Consolidated Rule 8200 (Enforcement Proceedings),

as applicable, irrespective of when the conduct or application which is the subject of the Review Hearing occurred.