

## Chapter 13

# SROs, Marketplaces and Clearing Agencies

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### 13.1 SROs

#### 13.1.1 IIROC Rules Notice – Request for Comments – Proposed Plain Language Rules: 3100 – Business Conduct and 3200 – Client Accounts

##### RULES NOTICE

##### REQUEST FOR COMMENTS

##### Plain language rule re-write project – Proposed Rule 3100, Business Conduct and Proposed Rule 3200, Client Accounts

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

On January 26, 2010, the Board of Directors (“the Board”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) approved the publication for comment of proposed Dealer Member Rules 3100 relating to business conduct and 3200 relating to client accounts, which includes rules relating to accounts with options contracts and futures contracts and discretionary and managed accounts (collectively referred to as the “proposed Rules”).

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

The new rules will be submitted to the Board and issued for public comments in 8 tranches. The first tranche submitted to the Board and issued for public comments includes the following two sets of substantive change rules:

- (1) Rule 3100, *Business Conduct*; and
- (2) Rule 3200, *Client Accounts*.

The existing rules relating to business conduct standards and clients accounts have been identified as requiring substantive revisions in order to:

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

Proposed Rule 3100 is a consolidation of the relevant requirements currently set out in IIROC Dealer Member Rules 17, 29, 1300 and 1500, relating to Business Conduct.

Proposed Rule 3200 is a consolidation of the relevant requirements currently set out in IIROC Dealer Member Rules 29, 200, 1300, 1500, 2500, 2700 and 3200, relating to client Accounts.

#### Issues and specific proposed amendments

##### **Current rules**

Other than the proposed substantive revisions set out below, the proposed Rules 3100 and 3200 do not create any new obligations for Dealer Members and have been drafted to clarify the existing Rules with respect to business conduct standards and client accounts, respectively.

### Proposed rules

In addition to the plain language rewrite of the existing requirements to create proposed Rule 3100, the following substantive amendment is proposed:

- *Business conduct:* Current Dealer Member Rule 1300.1(o) states that Dealer Members must use “due diligence to ensure that acceptance of any order is within the bounds of good business practice”. In order to ensure consistency with other IROC Dealer Member Rules, including the suitability requirements, the proposed Rule will clarify that Dealer Members are required to use due diligence to ensure that both *orders and recommendations* are within the bounds of good business practice.

In addition to the plain language rewrite of existing requirements to create proposed Rule 3200, the following substantive amendments are proposed to parts A, B and/or C of proposed Rule 3200 relating to general client account related requirements:

- *Client identification:* Current Dealer Member Rules require each dealer to use due diligence to know every client and to also complete the applicable information on Form 2. Form 2 includes questions designed to determine how long the advisor has known the client, whether they have met the client face to face and whether the client is an insider of any public corporation. The current Dealer Member Rules do not specifically state that the Dealer Member has to identify each client and determine whether the client is an insider of a reporting issuer. While current IROC Dealer Member Rules only impose this specific requirement when dealing with trust accounts and corporate accounts it should be noted that Dealer Members are currently required to identify each new client in order to comply with the federal anti-money laundering legislation. Furthermore, National Instrument 31-103 (“NI 31-103”) includes a requirement that Dealer Members identify every new client and determine whether that client is an insider of a public company. For consistency with NI 31-103, proposed Rule 3200 will require that each Dealer Member use due diligence to establish the identity of every new client and if there is cause for concern, then make inquiries as to the reputation of the client. Furthermore, for consistency with NI 31-103, proposed Rule 3200 (part A) will require each Dealer Member to use due diligence to establish whether the client is an insider of a reporting issuer or other issuer whose securities are publicly traded.
- Under the current Dealer Member Rules, when opening an initial account for a corporation, partnership or similar entity, Dealer members must identify any individual who is a beneficial owner, or exercises direct or indirect control over, more than 10% of the corporation, partnership or similar entity. However, Dealer Members are not subject to this requirement when opening an account for an entity that is, or is an affiliate of, a financial institution that is subject to a satisfactory regulatory regime in the country in which it is located. The proposed Rule codifies the current interpretation of the above noted exemption by clarifying that an institution is not subject to a satisfactory regulatory regime if it is exempted from the substantive requirements of the regulatory regime. Furthermore, Dealer Members are also not subject to the above noted identification requirement for any financial institution located in a particular country that may be exempted by IROC. The proposed Rule codifies the current interpretation of this exemption by clarifying that the exemption may be provided not only to a specific institution in a particular country but also, to a class of institutions or all institutions located in a particular country.
- *Account Information for Institutional Clients:* The current Dealer Member Rules set out the definition of an Institutional Client. Although, it is expected and implied that IROC Dealer Members would verify that a client qualifies as an Institutional Client prior to dealing with the client as such, it is not specifically required in the current IROC Dealer Member Rules. Proposed Rule 3200 (part B) will specifically require Dealer Members to verify that a client qualifies as an Institutional Client before dealing with the client as such.
- *Account information* - To codify existing practices, to assist Dealer Members in complying with their general conduct requirements, and to ensure the accuracy of the account information, proposed Rule 3200 (part B) will specifically require that Dealer Members maintain account documents and records that meet not only IROC requirements but also requirements imposed by all other applicable legislation.
- *Leverage Risk Disclosure Statement:* The current IROC Dealer Member Rules require that a Leverage Risk Disclosure Statement be provided to each client. This rule was introduced in response to National Instrument 33-102 which requires that a leverage disclosure statement be provided to each retail client.<sup>1</sup> Consistent with current expectations and practice, historical records show that the current IROC Dealer Member rule was only intended to apply to retail clients, however, the current IROC Dealer Member Rule does not make specific reference to this limitation and merely states that it must be disclosed to each client. In order to ensure that the proposed Rule 3200 remains true to the original objectives (i.e. that it only apply to retail clients) and is consistent with current expectations and practices, proposed Rule 3200 (part B) will clarify that the Leverage Risk Disclosure Statement requirement is applicable only when dealing with retail clients.

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<sup>1</sup> National Instrument 33-102 was repealed and replaced with equivalent provisions in National Instrument 31-103 as at September 28, 2009.

Furthermore, Proposed Rule 3200 will require Dealer Members to obtain an acknowledgment from each client who receives a copy of the Leverage Risk Disclosure Statement. This requirement was added to proposed Rule 3200 to ensure consistency with other similar provisions within the IIROC Dealer Member Rules, such as the requirement to obtain an executed copy of a Margin Account Agreement from the client as well as the requirement to obtain an acknowledgement of an options contract account or futures contract Risk Disclosure Statement from the client. There is no compelling reason that such an acknowledgement would not be obtained from a client with respect to a Leverage Risk Disclosure Statement in comparison to other risk disclosure statements.

- *Client mail* – The current IIROC Dealer Member Rules require that all “hold mail” instructions be evidenced by the client in writing, and controlled/reviewed on a regular basis. The existing requirements do not however, provide a time limit relating to “hold mail” restrictions. The current expectation is that “hold mail” restrictions will only be permitted on a temporary basis. Consistent with the purpose of “hold mail” restrictions, proposed Rule 3200 (part B) will specify that Dealer Members are required to set reasonable time limits of no longer than 6 months, in any 12 month period, on “hold mail” restrictions in their procedures. The time limit is to ensure that hold mail restrictions are not applied to any account on a continuous basis. However, IIROC staff recognize that there may be limited circumstances under which a longer period may be acceptable. Accordingly, the proposed Rule provides that a longer hold mail period may be in force for an account under the following conditions: i) it is permitted by the Dealer Member’s policies and procedures, ii) the Dealer Member has policies and procedures to closely supervise the account, and iii) an appropriate Supervisor pre-approves the extended hold mail period.

In addition to the plain language rewrite of existing requirements to create proposed Rule 3200, the following substantive amendments are proposed to part D of proposed Rule 3200 dealing with options contracts, futures contracts and futures contract option accounts:

- *Letter of undertaking*: Current Dealer Member Rule 1800 stipulates that instead of a Futures Contract or Futures Contract Options Trading Agreement, a Dealer Member may obtain a letter of undertaking if the client, among other things, is “a dealer on its own behalf or a dealer on behalf of its customer if the dealer is required to maintain with its customer an account agreement substantially similar to those set out in Rule 1800.9”. The term “dealer” as set out above is not defined in the IIROC Dealer Member rules. Accordingly, proposed Rule 3200 uses the term *regulated entity* rather than *dealer*. A regulated entity, as set out in Form 1 - Joint Regulatory Financial Questionnaire and Report of the IIROC Dealer Member Rules, is defined as a member of any association or exchange that:
  - has an investor protection regime similar to the CIP Fund;
  - has similar segregation and financial reporting requirement to those of IIROC;
  - sets out specific requirements relating to segregation of client credit balances and the margining of client accounts; and
  - is subject to regulatory oversight of a government agency or a self-regulatory organization.

The revision of Rule 1800 contained in proposed Rule 3200 ensures the use of consistent terms in the IIROC Dealer Member Rules, where applicable. The revision will also clarify IIROC’s expectations with respect to the question of when a Futures Contract or Futures Contract Options Trading Agreement is required and when a Letter of Undertaking will suffice.

- Current Dealer Member Rule 1900 stipulates that instead of an Options Trading Agreement, a Dealer Member may obtain a letter of undertaking if the client is an “acceptable institution” or an “acceptable counterparty”. Unlike current Dealer Member Rule 1800, which allows a Dealer Member to simply obtain a letter of undertaking when dealing with a dealer acting on its own behalf or on behalf of a customer, current Dealer Member Rule 1900 does not allow Dealer Members to obtain a letter of undertaking, rather than an Options Trading Agreement, when dealing with another dealer that trades in options contracts. Given that Dealer Members, entering into option dealing relationships with acceptable institutions and acceptable counterparties have the option of obtaining either a Letter of Undertaking or an Options Trading Agreement, there is no compelling reason not to allow Dealer Members to similarly obtain a Letter of Undertaking when dealing in options with regulated entities.

Similarly, the term “regulated entity” will substitute the term “dealer”. This revision will create consistency between the options account and futures account sections of proposed Rule 3200.

- *Reports*: Dealer Member Rule 1900 sets out requirements with respect to options reports filed with IIROC. Dealer Member Rule 1800 sets out requirements with respect to futures contracts and futures contract options reports filed with IIROC. Currently, IIROC does not expect Dealer Members to file any such reports. Consequently, any reference to such reporting requirements should be omitted to ensure consistency with current practices and expectations. Proposed Rule 3200 has been updated accordingly.

In addition to the plain language rewrite of existing requirements to create proposed Rule 3200, the following substantive amendments are proposed to part E of proposed Rule 3200 relating to discretionary and managed accounts:

- *Discretionary trading:* Under the current Dealer Member Rules, the prohibition against discretionary trading, unless in a discretionary or managed account, is implied through existing rules relating to the proper operation of discretionary and managed accounts and more specifically, captured through the definition of a discretionary account. Proposed Rule 3200 more clearly sets out the prohibition against discretionary trading, including the prohibition against time and price discretion.
- *Term limit on discretionary accounts:* The current Dealer Member Rules state that a discretionary account cannot be opened for a term of longer than twelve months unless the Dealer Member has satisfied the Corporation that a longer term is appropriate and the customer is aware. The intent and nature of discretionary accounts is to accommodate temporary situations for which a client may want to provide discretionary authority to his/her advisor. It is the position of IIROC staff that it is not appropriate for discretionary authority to be granted to a Registered Representative on a long term basis and that client awareness and satisfaction of the Corporation without any checks and balances is not necessarily sufficient to address issues that may arise from granting discretionary authority on a long term basis. For consistency with the purpose of discretionary accounts, Proposed Rule 3200 will prohibit operating a discretionary account for a period in excess of twelve months. An alternative to the proposed Rule considered was that a term longer than 12 months would only be permitted if the Dealer Member obtains written client authorization, closely supervises the account, and receives pre-approval from IIROC. However, it seemed more appropriate to impose an absolute time restriction as it is consistent with the intent of discretionary accounts and with the practice adopted by many IIROC Dealer Members. The absolute time restriction will also provide more certainty in terms of conditions under which an account may be accepted on a discretionary basis. If an approval process was adopted, then it may result in unintended inconsistencies over time.
- *Restrictions in a discretionary account:* Current Dealer Member Rules prohibit the *holding* of publicly traded securities of a Dealer Member or its affiliates in a discretionary account. The proposed provision restricts an *acquisition* of such securities within discretionary accounts. The proposed Rule was revised to allow for these types of securities to be held in a discretionary account if these securities were held by a client prior to the creation/acceptance of the discretionary account. Without this carve out, a client wishing to convert an account into a discretionary account would have no choice but to: 1) sell the offending securities, despite the fact that they may otherwise be suitable for the client; or 2) abandon their plan to grant discretionary authority over the account; or 3) transfer the security position to another non-affiliated Dealer Member. It is the position of IIROC staff that it is more appropriate to prohibit a subsequent acquisition of such securities than to prohibit the continued holding of a previously acquired position that may otherwise be suitable for the client.
- *Managed Account Agreement:* Current Dealer Member Rules require that a client's investment objectives and risk tolerance for a managed account be described in the Managed Account Agreement. As per proposed Rule 3200, the Managed Account Agreement can either describe, or incorporate by reference, the applicable investment objectives or risk tolerance of the client that may be set out elsewhere. This type of flexibility is proposed for consistency with other account document related provisions.
- *Borrowing from a client:* The current Dealer Member Rules state that client consent is required in order for a managed account to make a loan to a responsible person. The proposed revisions eliminate this provision as it is inconsistent with general business conduct standards and current practices. The revision is proposed on the basis that borrowing from clients or otherwise engaging in personal financial dealing with clients is inappropriate conduct, irrespective of client consent.
- *Conflict of interest provisions:* The existing conflict of interest rules relating to managed accounts directly and specifically apply to portfolio managers. The application of the conflict of interest rules to sub-advisors is however captured within the general conditions under which a managed account may be managed by a sub-advisor. These conditions include a requirement that the sub-advisor be subject to legislation or regulations equivalent to the conflict of interest provisions set out in the IIROC Dealer Member Rules. Alternatively, the Dealer Member may enter into a written agreement with the sub-advisor which states that the sub-advisor will comply with the relevant conflict of interest rules as set out in the IIROC Dealer Member Rules. The language contained within proposed Rule 3200 will make it clear that the conflict of interest rules apply equally to both portfolio managers and sub-advisors authorized to effect trades in managed accounts. This proposed revision is consistent with the current requirements applicable to sub-advisors and is merely a clarification of the existing requirement.
- *Application of the client priority rule within managed accounts:* Currently Dealer Members are required to give priority to client orders over all other orders for the same security at the same price. This rule is often referred to as the "Client Priority Rule". The phrase "*client orders*" does not include an order for an account in which the Dealer Member or an employee of the Dealer Member has a direct or indirect interest, other than the commission charged.

The current Dealer Member Rule relating to managed accounts permits accounts of partners, Directors, Officers, Approved Persons, employees or agents of a Dealer Member who participate in the managed account program to be included as client orders. This is considered an exemption from the Client Priority Rule.

Proposed Rule 3200 more clearly sets out IIROC's position that the above noted exemption will not apply to those involved in the investment decision making process. To clarify, *client orders* will not include accounts of partners, Directors, Officers, Approved Persons, employees and agents of a Dealer Member who participate in the managed account program if they are part of the investment decision making process. This revision is consistent with the purpose and scope of the existing Rule as set out in previously issued guidance. This amendment is proposed on the basis that it is inappropriate for those involved in the investment decision making process of a managed account program to receive client priority through their participation in the managed account program.

The full text of the proposed plain language Dealer Member Rules 3100 and 3200 is attached.

### **Rule-making process**

IIROC Staff involved representatives of Dealer Members in the rule development process, through preliminary consultations. Proposed Rule 3100 and proposed Rule 3200 were made available to all Dealer Members for their input through a Dealer Members-only website. A designated Compliance and Legal Section ("CLS") working group also reviewed and provided comments on proposed Rule 3100 and proposed Rule 3200 (parts A,B,C and E). Copies of the proposed Rules 3100 and 3200 were then made available to all CLS Members for their input and comments. A number of changes to the draft proposal were made in response to the comments IIROC received through these consultations.

The proposed Rules were approved for publication by the IIROC Board of Directors on January 26, 2010.

The text of proposed plain language Rules 3100 and 3200 is set out in Attachments A and B. The text of the existing Dealer Member Rules to be repealed is set out in Attachment C. A table of concordance is included as Attachment D.

### **Issues and alternatives considered**

An alternative to the inclusion of the amendments being proposed was to leave the rules substantively as they were prior to the plain language rewrite. IIROC staff considered other pending projects and proposals as well as the extent of the potential, substantive changes identified in order to decide which of the substantive changes would be proposed as part of the plain language rule rewrite project. Those substantive changes which were originally identified as part of the plain language rule rewrite project, but which were ultimately excluded from the plain language rewrite project are being pursued as separate rulemaking projects.

In dealing with proposed Rule 3100 "Business Conduct", IIROC staff specifically considered whether pending proposals currently being worked on by IIROC staff, with respect to personal financial dealing and general business conduct standards should also be brought forward at this time. In particular, IIROC staff considered bringing forward the personal financial dealing rule which includes proposals to prohibit registrants from borrowing money from clients, acting as a power of attorney for clients and accepting any gratuity from clients, subject to specific exemptions. Given the materiality of those pending proposals, IIROC staff concluded that it is best to deal with those revisions as separate rule proposals, which will be considered at a later time.

With respect to proposed Rule 3200, the client account related proposals, IIROC staff is in the process of issuing guidance that is consistent with previously proposed, Form 2 related rule amendments.<sup>2</sup> Given the length of the proposed Guidance Note, IIROC staff concluded that it is best to deal with those issues as a separate project.

### **Proposed Rule classification**

Statements have been made elsewhere as to the nature and effects of the proposed Rules. The purposes of the proposed Rules are to:

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

IIROC staff propose that rules pertaining to business conduct standards and client accounts should be rewritten to reflect actual IIROC expectations, to enhance the clarity of the rule and to ensure consistency with applicable securities legislation. These

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<sup>2</sup> The Form 2 proposed rule amendments were withdrawn in July 2009.

amendments are in addition to the plain language rewrite of the existing rule provisions. The Board has determined that the proposed amendments are not contrary to the public interest.

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

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

With proposed plain language Rules 3100 and 3200, Dealer Members will benefit from enhanced clarity and certainty in rules relating to business conduct standards and client account requirements.

The proposed Rules will not have any significant effects on Dealer Members or non-Dealer Members, market structure or competition. Furthermore, it is not expected that there will be any significant, increased costs of compliance as a result of the proposed Rules.

The proposed Rules do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in the furtherance of IIROC's regulatory objectives. The proposed Rules do not impose costs or restrictions on the activities of market participants that are disproportionate to the goals of the regulatory objectives sought to be realized.

**Technological implications and implementation plan**

There should not be significant technological implications for Dealer Members as a result of the proposed amendments. Proposed plain language Rules 3100 and 3200 will be implemented at the same time as the rest of the plain language rules.

**Request for public comment**

Comments are sought on the proposed amendments. Comments should be made in writing. Two copies of each comment letter should be delivered within 90 days of the publication of this notice. One copy should be addressed to the attention of:

Sherry Tabesh-Ndreka  
Policy Counsel  
Investment Industry Regulatory Organization of Canada  
Suite 1600, 121 King Street West  
Toronto, Ontario  
M5H 3T9  
stabesh@iiroc.ca

A second copy should be addressed to the attention of:

Manager of Market Regulation  
Ontario Securities Commission  
20 Queen Street West  
19th Floor, Box 55  
Toronto, Ontario  
M5H 3S8  
marketregulation@osc.gov.on.ca

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IIROC website ([www.iiroc.ca](http://www.iiroc.ca)) under the heading "IIROC Rulebook - Dealer Member Rules - Policy Proposals and Comment Letters Received").

Questions may be referred to:

Sherry Tabesh-Ndreka  
Policy Counsel, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
416-943-4656  
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**Attachments**

Attachment A - Proposed Rule 3100

Attachment B - Proposed Rule 3200

Attachment C - Text of the relevant provisions of Dealer Member Rules 17, 29, 200, 800, 1300, 1500, 1800, 1900, 2500, 2700 and 3200

Attachment D - Table of Concordance

## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

PLAIN LANGUAGE RULE 3100 – BUSINESS CONDUCT  
PROPOSED AMENDMENTS

1. As part of a project to rewrite IIROC Rules in plain language, the following current rules are repealed and replaced.

Repealed current rule	Proposed plain language rule
None	<p><b>3101. Introduction</b></p> <p>(1) This rule sets out each Dealer Member's obligations with respect to their dealings with their clients. The requirements are in line with the Corporation's objective to maintain investor confidence in securities markets and to reinforce each Dealer Member's responsibility to observe high standards of ethics and conduct in dealing with clients.</p>
29.01 1300.02(a) 1300.01(a) 1300.01(o)	<p><b>PART A - BUSINESS CONDUCT</b></p> <p><b>3102. Business conduct</b></p> <p>(1) Each Dealer Member, its partners, Directors, Officers, Supervisors, Registered Representatives, Investment Representatives, employees and agents must:</p> <ul style="list-style-type: none"> <li>(i) observe high standards of ethics and conduct in the their business;</li> <li>(ii) not engage in any business conduct or practice that is unbecoming or detrimental to the public interest;</li> <li>(iii) be of good character and business repute;</li> <li>(iv) have requisite experience and training consistent with the standards set out in this Rule.</li> </ul> <p>(2) Each Dealer Member must ensure that the handling of their clients' business is within the bounds of ethical conduct, consistent with just and equitable principles of trade, and not detrimental to the interests of the securities industry.</p> <p>(3) Each Dealer Member must use due diligence to learn, and remain informed regarding the essential facts concerning every client and for every order or account it accepts.</p> <p>(4) Each Dealer Member must use due diligence to ensure that any order or recommendation for any account is within the bounds of good business practice.</p>
17.14	<p><b>3103. Compliance with all applicable rules</b></p> <p>(1) A Dealer Member engaged in securities related activities shall comply with all relevant rules of the following organizations:</p> <ul style="list-style-type: none"> <li>(i) securities, derivatives and financial regulatory authorities;</li> <li>(ii) self regulatory organizations;</li> <li>(iii) stock, financial futures and commodity futures exchanges and other listing or issuing organizations; and</li> </ul>



Repealed current rule	Proposed plain language rule
29.06	<p>(iv) clearing and settlement organizations that are in effect from time to time.</p> <p>(2) Where there is an inconsistency between the rules and requirements of the Corporation and any of the foregoing organizations involving securities related activities, compliance with the most stringent rule or requirement is required.</p> <p><b>3104. Conflict of Interest</b></p> <p>(1) A Dealer Member or any Director, Executive, Supervisor, employee or shareholder of a Dealer Member must not give, offer, or agree to give or offer, directly or indirectly, to any partner, director, officer, employee, shareholder or agent of a client or any associate of such persons, a gratuity, advantage, benefit or any other consideration in relation to any business of the client with the Dealer Member.</p> <p>(2) sub-section 3104(1) does not apply if the prior written consent of the client has been obtained.</p> <p><i>[3105 to 3149 Reserved]</i></p>
1500	<p><b>3150. Conduct and Practices Handbook</b></p> <p>(1) Every Registered Representative, Investment Representative, Supervisor, Executive or Director of a Dealer Member must:</p> <p>(i) have in their possession a hard copy, or access to an electronic copy, of the Conduct and Practices Handbook (CPH);</p> <p>(ii) have in their possession a hard copy, or access to an electronic copy of the CPH updates; and</p> <p>(iii) read and understand the CPH and its updates.</p> <p>(2) Each Dealer Member must take reasonable steps to ensure that all individuals subject to subsection 3150(1) comply with subsection 3150(1).</p> <p><i>[3151 to 3199 Reserved]</i></p>

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**  
**PLAIN LANGUAGE RULE 3200 – CLIENT ACCOUNTS**  
**PROPOSED AMENDMENTS**

1. As part of a project to rewrite IIROC Rules in plain language, the following rules are repealed and replaced.

Repealed current rule	Proposed plain language rule
None	<p><b>3201. Introduction</b></p> <p>(1) This Rule sets out Dealer Members' obligations to identify each client, and to learn and remain informed of the essential facts about each client, account and order accepted.</p> <p>(2) This Rule also sets out procedures required for opening new accounts, and updating existing accounts.</p>
1300.01(a) 1300.02 2500II(A.1) 2700II(1)	<p><b>PART A - IDENTIFICATION AND VERIFICATION REQUIREMENTS</b></p> <p><b>3202. Identifying all new clients</b></p> <p>(1) Each Dealer Member must use due diligence to establish:</p> <p style="margin-left: 20px;">(i) the identity of every new client, and if there is any cause for concern, then make inquiries as to the reputation of the client;</p> <p style="margin-left: 20px;">(ii) whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded.</p> <p>(2) Each Dealer Member must complete an account application for every new account in accordance with the requirements set out in this Rule.</p>
1300.01(e)(i) 1300.01(e)(ii) 1300.01(g) 1300.01(f)	<p><b>3203. Identifying accounts of trusts</b></p> <p>(1) When opening an initial account for a trust:</p> <p style="margin-left: 20px;">(i) a Dealer Member must identify the settlor of the trust and as far as is reasonable, any known beneficiaries of more than 10% of the trust;</p> <p style="margin-left: 20px;">(ii) a Dealer Member must verify the identity of each such individual beneficiary in paragraph 3203(1)(i) in accordance with the requirements set out in section 3205; and</p> <p style="margin-left: 20px;">(iii) a Dealer Member must not open a trust account unless it first identifies the individual beneficiaries referred to in paragraph 3203(1)(i) and determines whether any of the beneficiaries are either insiders or controlling shareholders of one or more public corporations.</p> <p>(2) Subsection 3203(1) does not apply to a testamentary trust or a trust that has issued publicly traded units.</p>
1300.01(b)(i) 1300.01(b)(ii) 1300.01(c)(i) 1300.01(c)(ii) 1300.01(d)	<p><b>3204. Identifying accounts of corporations and similar entities</b></p> <p>(1) When opening an initial account for a corporation, partnership or similar entity:</p>

Repealed current rule	Proposed plain language rule
1300.01(g) 1300.01(i) 1300.01(j) 1300.01(k)	<ul style="list-style-type: none"> <li>(i) each Dealer Member must identify any individual who is the beneficial owner, or exercises direct or indirect control or direction over, more than 10% of the corporation or similar entity.</li> <li>(ii) each Dealer Member must verify the identity of such beneficial owner in paragraph 3204(1)(i) in accordance with the requirements set out in section 3205.</li> <li>(iii) a Dealer Member must not open an account unless it identifies the individual beneficial owners in paragraph 3204(1)(i) and determines whether one or more of them are insiders and/or controlling shareholders of one or more public corporations.</li> </ul> <p>(2) Subsection 3204(1) does not apply to:</p> <ul style="list-style-type: none"> <li>(i) a corporation, partnership or similar entity that is, or is an affiliate of, a bank, trust or loan company, credit union, caisse populaire, insurance company, mutual fund, mutual fund management company, pension fund, securities dealer or broker, investment manager or similar financial institution that is subject to a satisfactory regulatory regime in the country in which it is located; or</li> <li>(ii) a corporation, partnership or similar entity whose securities are publicly traded, or an affiliate thereof.</li> </ul> <p>(3) An institution referred to in paragraph 3204(2)(i) is not deemed to be subject to a satisfactory regulatory regime if it is exempted from the substantive requirements of the regulatory regime.</p> <p>(4) The Corporation may rule that the exemption in subsection 3204(2) does not apply to a specific financial institution, class of institutions or all institutions located in a particular country.</p> <p>(5) A Dealer Member must not open an account for a shell bank which is defined as a bank that does not have a physical presence in any country.</p> <p>(6) Subsection 3204(4) 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 depository institution is subject to supervision by a banking or other similar regulatory authority.</p>
1300.01(b)(ii) 1300.01(e)(ii) 1300.01(h) 1300.01(m)	<p><b>3205. Identity verification</b></p> <ul style="list-style-type: none"> <li>(1) For each beneficial owner in paragraphs 3203(1)(i) and 3204(1)(i), the Dealer Member must verify the identity of such individual by using methods that allow the Dealer Member to form a reasonable belief that it knows the true identity of the individual.</li> <li>(2) The identity of such individual in subsection 3205(1) must be verified as soon as practicable and not more than six months after opening the account.</li> <li>(3) If the identity of such individuals referred to in subsection 3205(1) cannot be verified within six months of opening an account, the Dealer Member must restrict the account to liquidating trades, transfers of securities and paying out funds or delivering securities. These account restrictions must remain in place until the Dealer Member completes the verification.</li> </ul>



Repealed current rule	Proposed plain language rule
29.26	<p>(ix) that all transactions are subject to requirements of the Corporation and the exchange under which the transaction has been carried out.</p> <p><b>3209. Leverage Risk Disclosure Statement</b></p> <p>(1) When opening a new account, prior to making a recommendation to a retail client to purchase securities using borrowed money, or becoming aware of a client’s intent to purchase securities using borrowed money, a Dealer Member must:</p> <p>(i) provide each client with a copy of the Leverage Risk Disclosure Statement; and</p> <p>(ii) obtain the client’s written acknowledgement that they are in receipt of the disclosure statement referred to in paragraph 3209(1)(i)</p> <p>(2) A Dealer Member is not required to comply with subsection 3209(1) where:</p> <p>(i) it has provided the client with a Leverage Disclosure Statement in accordance with subsection 3209(1), within the last six months; or</p> <p>(ii) it is subject to the requirements set out in section 3208 and complies accordingly.</p> <p>(3) A leverage risk disclosure statement must be in substantially the following words:</p> <p>“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.”</p>
2500II(C.1) 2500II(C.2)	<p><b>3210. Client mail</b></p> <p>(1) A Dealer Member’s hold-mail account procedures must at a minimum include the following provisions:</p> <p>(i) a requirement that the Dealer Member obtain written authorization from the client to “hold mail”;</p> <p>(ii) a requirement that limits the length of time that a “hold mail” order may remain in force for no longer than 6 months, in any 12 month period; and</p> <p>(iii) a rule requiring the control and regular review of “hold mail” accounts by a Supervisor.</p> <p>(2) Notwithstanding paragraph 3210(1)(ii), a longer period may be in force if:</p> <p>(i) it is permitted by the Dealer Member’s policies and procedures;</p> <p>(ii) the Dealer Member has policies and procedures to closely supervise such accounts; and</p>

Repealed current rule	Proposed plain language rule
<p>2500II(A.4) 1300.01(n) 200.01(i)(1) 200.01(i)(3)</p>	<p>(iii) the appropriate Supervisor pre-approves the extended period.</p> <p>(3) A Dealer Member's returned mail procedures must at a minimum include the following provisions:</p> <p>(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</p> <p>(ii) a rule requiring that a record of all investigations and their results be maintained.</p> <p><i>[3211 -3219 Reserved]</i></p> <p><b>PART C - ACCOUNT OPENING AND UPDATING PROCEDURES</b></p> <p><b>3220. Record keeping</b></p> <p>(1) Each Dealer Member must maintain a record for each account that includes:</p> <p>(i) a complete set of documentation consisting of any information, disclosure statement or agreement that the Dealer Member is required to provide to or obtain from the client in accordance with IIROC Dealer Member Rules including, but not limited to, copies of the completed account applications;</p> <p>(ii) the name and address of the account guarantor, if applicable; and</p> <p>(iii) a signed trading authorization from a person other than the account holder, authorized to direct orders for the account, if applicable.</p> <p>(2) The Registered Representative responsible for an account must retain a current copy of each account application. This requirement can be satisfied where a Dealer Member maintains information in an electronic application accessible to the Registered Representative.</p> <p>(3) Each Dealer Member must keep records of all information obtained and identity verification procedures completed in accordance with the record retention requirements.</p>
<p>2500II Introduction 2500II(A.2) 2500 II(A.5) 2500II(B.1) 2500II(B.3) 2500II(B.4) 2500I(F.1)</p>	<p><b>3221. Account opening procedures</b></p> <p>(1) Each Dealer Member must establish procedures to:</p> <p>(i) collect and maintain accurate, complete and up-to-date information about each client; and</p> <p>(ii) ensure the proper completion of documentation when opening new accounts.</p> <p>(2) A Dealer Member must also:</p> <p>(i) have procedures in place to ensure that supporting documents are received within a reasonable period of time after opening an account;</p> <p>(ii) have a system for recording pending account documentation and following up where it is not received in a reasonable time;</p>

Repealed current rule	Proposed plain language rule
<p>800.11 2500II(A.2) 2500II(A.3) 2500II(A.7) 2700II(3)</p>	<p>(iii) take specific action to obtain required documents that have not been received within 25 or more business days of opening the account, unless a shorter period is prescribed;</p> <p>(iv) have policies and procedures for verifying material changes to client information, which may include the receipt of a signed client acknowledgement of the changed information; and</p> <p>(v) have a system in place to record the review and approval by the Supervisor.</p> <p><b>3222. Opening new client accounts</b></p> <p>(1) Each Dealer Member may only assign an account number to a new account if it includes the full and accurate name and address of the client; the complete account application must be received no later than the following business day.</p> <p>(2) The Designated Supervisor must ensure that the account application is completed and at a minimum includes the information required by the Corporation. Completed means that all information necessary to identify the client and to assess suitability, creditworthiness and risk tolerance have been obtained.</p> <p>(3) A Designated Supervisor must approve each new account no later than one business day after completing the initial trade for the account.</p> <p>(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.</p> <p>(5) Before opening an account for an employee of another Dealer Member, the Dealer Member must obtain written approval from the client's employer, and must designate the account as non-client.</p>
<p>2500II(A.5) 2500II(A.6) 2700II(4)</p>	<p><b>3223. Updating client accounts</b></p> <p>(1) Each Dealer Member must ensure that Registered Representatives update account application, on a timely basis, to reflect any material change in a client's information.</p> <p>(2) The Dealer Member's policies and procedures must stipulate that any changes to an account application are approved in the same way that an account application is approved for a new account.</p> <p>(3) If a client's Registered Representative changes, the Dealer Member's procedures must require that:</p> <p>(i) the new Registered Representative verify the information in the account application with the client as soon as practicable to ensure the information is correct;</p> <p>(ii) the new Registered Representative and their Supervisor must acknowledge, in writing, that the account application was reviewed and, if necessary, updated;</p> <p>(iii) if the client's account application was approved within the past two years, the Dealer Member may use a copy of a client's</p>

Repealed current rule	Proposed plain language rule
	<p>current account application, but must have the Registered Representative and their Supervisor initial any changes; and</p> <p>(4) The Dealer Member must restrict the access of Registered Representatives and other persons to its systems in such a manner so as to ensure that material information cannot be changed without the required approval.</p> <p><i>[3224 -3229 Reserved]</i></p>
<p>2700 Introduction 2700II(2)</p>	<p><b>3230. Institutional client accounts</b></p> <p>(1) Each Dealer Member that opens accounts for Institutional Clients must implement the policies and procedures required by Rule 3200, relating to the opening and maintenance of Institutional Client accounts.</p> <p>(2) Sub-Account files of an Institutional Client may refer to the documentation contained in the master file to which it is related.</p> <p><i>[3231 -3239 Reserved]</i></p>
<p>1300.01(t) 3200A.3(a) 3200A.3(b) 3200A.3(c) 3200A.3(d) 3200B.1 3200B.3(a) 3200B.3(b) 3200B.3(c) 3200B.3(d)</p>	<p><b>3240. Order execution-only services</b></p> <p>(1) Each Dealer Member approved by the Corporation to provide order execution only services must implement the policies and procedures required by Rule 3200, as applicable to its order-execution only business.</p> <p>(2) A Dealer Member in subsection 3240(1), prior to opening an account must:</p> <ul style="list-style-type: none"> <li>(i) provide a written disclosure to the client that includes a statement confirming that the Dealer Member will not provide advice to the client or be responsible for suitability determinations;</li> <li>(ii) provide a written disclosure to the client explaining that the client is solely responsible for investment decisions, and that the Dealer Member will not consider the client's financial situation, investment knowledge, investment objectives nor risk tolerance when accepting orders from the client; and</li> <li>(iii) obtain an acknowledgement, in positive form, from the client and all beneficial owners of the account, confirming that the client and each beneficial owner has received and understands the disclosure stipulated in paragraphs 3240(1)(i) and(ii).</li> </ul> <p>(3) Each Dealer Member in subsection 3240(1) must maintain a record of the acknowledgement referred to in paragraph 3240(2)(iii), which can be in the form of:</p> <ul style="list-style-type: none"> <li>(i) the client's signature or initials on a new client form or other document, specifically related to the disclosure and acknowledgement;</li> <li>(ii) an electronic acknowledgement attached to the disclosure and acknowledgement text; or</li> <li>(iii) a tape recording of a verbal acknowledgement.</li> </ul> <p>(4) Each Dealer Member that provides an order-execution only service in advisory accounts must also:</p>



Repealed current rule	Proposed plain language rule
<p>None</p> <p>1900.02(b) 1900.02(c) 1900.02(d)(i) 1900.06(b) 2500V(A.1) 2500V(A.2) 2500V(A.3) 2500V(A.4)</p> <p>1900.06(a) 2500V(A.2)</p>	<p>(i) provide a client with a description of what does or does not constitute a recommendation and instructions on how the client can report trades which have not been accurately designated as recommended or non-recommended; and</p> <p>(ii) ensure all trades are marked “recommended” or “non-recommended” rather than “solicited” or “not solicited.”.</p> <p>[3241-3249 Reserved]</p> <p><b>PART D - OPTIONS CONTRACTS, FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS</b></p> <p><b>3250. Introduction</b></p> <p>(1) This part sets out the Corporation’s requirements for opening and administering options, futures and futures options contract trading accounts.</p> <p>(2) A Dealer Member must ensure that persons trading on its behalf or advising clients in options, futures and futures contract options trading accounts meet minimum proficiency requirements.</p> <p><b>OPTIONS CONTRACTS</b></p> <p><b>3251. Opening an options account</b></p> <p>(1) Before entering an options contract trade, a Dealer Member must:</p> <p>(i) obtain a completed Options Account Application Form from the client;</p> <p>(ii) obtain a signed Option Trading Agreement, from the client;</p> <p>(iii) provide the client with the most recent Options Disclosure Statement or similar disclosure document; and</p> <p>(iv) record the appropriate Designated Supervisor’s approval in writing.</p> <p>(2) The Designated Supervisor must ensure that the Registered Representative is aware of any trading restrictions.</p> <p><b>3252. Options Trading Agreement</b></p> <p>(1) A Dealer Member’s Options Trading Agreement must define the rights and obligations between the Dealer Member and the client, and at a minimum must include the following:</p> <p>(i) the time periods when the Dealer Member will accept orders for execution;</p> <p>(ii) the Dealer Member’s right to exercise discretion in accepting orders;</p> <p>(iii) the Dealer Member’s obligations when errors and omissions occur;</p>

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> <li>(iv) the method for distributing exercise assignment notices;</li> <li>(v) the Dealer Member's deadlines for a client to submit an exercise notice;</li> <li>(vi) a notice that:               <ul style="list-style-type: none"> <li>(a) the Dealer Member may set maximum limits on short positions;</li> <li>(b) the Dealer Member may apply cash-only terms during the last 10 days before expiry; and</li> <li>(c) the Corporation may impose other rules affecting existing or subsequent transactions.</li> </ul> </li> <li>(vii) the client's obligation to instruct the Dealer Member to close positions before expiry;</li> <li>(viii) the client's obligation to comply with the Corporation's requirements and any entity's requirements through which the options contract is traded, including complying with position and exercise limits;</li> <li>(ix) the client's acknowledgement of receiving the current Options Disclosure Statement;</li> <li>(x) any other matter required by an options contract trading or clearing entity.</li> </ul>
1900.06(b)	<p><b>3253. Letter of undertaking</b></p> <ul style="list-style-type: none"> <li>(1) Instead of an Options Trading Agreement, a Dealer Member may obtain a letter of undertaking for accounts where the client is:               <ul style="list-style-type: none"> <li>(i) an acceptable institution;</li> <li>(ii) an acceptable counterparty; or</li> <li>(iii) a regulated entity</li> </ul> </li> <li>(2) The letter of undertaking must state that the client agrees to abide by the Corporation's requirements, and the requirements of any entity through which options contracts are traded or cleared, including compliance with position and exercise limits.</li> </ul>
1900.02(d)	<p><b>3254. Options Disclosure Statement</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member must:               <ul style="list-style-type: none"> <li>(i) provide each options contract client with the current disclosure statement or other similar document, approved by the Corporation, before accepting an options contract order from the client;</li> <li>(ii) obtain the client's acknowledgement of receipt of the disclosure statement or similar document in paragraph 3254(1)(i);</li> <li>(iii) provide each options contract client with any amendments to the disclosure statement or similar document, as approved by the Corporation; and</li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
1900.02(e)	<p>(iv) maintain a record of the names and addresses of all clients to whom it has provided a risk disclosure statement or similar document, including any amendments.</p> <p><b>3255. Position and exercise limits</b></p> <p>(1) A Dealer Member must comply with the requirements of any entity through which it trades or clears an options contract.</p> <p>(2) A Dealer Member must comply with the position and exercise limits that apply under subsection 3255(1).</p>
1800.02(b) 1800.02(c) 1800.02(d)(i) 2500VI(A.1) 2500Vi(A.2) 2500VI(A.4)	<p><b>FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS</b></p> <p><b>3256. Opening a futures or futures contract option account</b></p> <p>(1) Before entering a futures contract or futures contract option trade, a Dealer Member must:</p> <p>(i) obtain a completed Futures Account Application Form from the client;</p> <p>(ii) obtain a signed Futures or Futures Contract Options Trading Agreement from the client;</p> <p>(iii) provide the client with the most recent Risk Disclosure Statement or similar statement; and</p> <p>(iv) record the appropriate Designated Supervisor's approval in writing.</p> <p>(2) The appropriate Designated Supervisor must indicate any trading restrictions on the futures account approval form or the futures contract options approval form.</p>
1800.09 2500VI(A.5)	<p><b>3257. Futures and Futures Contract Options Trading Agreement</b></p> <p>(1) A Dealer Member's Futures and Futures Contract Option Trading Agreement must define the rights and obligations of the Dealer Member and the client, which at a minimum must include the following:</p> <p>(i) the time periods during which the Dealer Member accepts orders;</p> <p>(ii) the Dealer Member's right to exercise discretion in accepting orders;</p> <p>(iii) the Dealer Member's obligations when errors or omissions occur;</p> <p>(iv) the Dealer Member's right to impose trading limits and/or closeout positions under specified conditions;</p> <p>(v) 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;</p> <p>(vi) the conditions under which the Dealer Member may apply the client's funds, securities or other property in other accounts to satisfy outstanding debts or margin calls;</p>

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> <li data-bbox="586 275 1360 352">(vii) 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;</li> <li data-bbox="586 384 1360 462">(viii) the requirement for the Dealer Member to obtain client consent in order for the Dealer Member to take the other side of the client’s transaction, and whether the client provides such consent;</li> <li data-bbox="586 493 1360 548">(ix) the Dealer Member’s right to raise money on, and pledge securities or other assets in, the client’s account;</li> <li data-bbox="586 579 1360 657">(x) 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;</li> <li data-bbox="586 688 1360 743">(xi) the Dealer Member’s right to provide information to its regulators regarding reporting and position limits;</li> <li data-bbox="586 774 1360 852">(xii) the client’s obligations to comply with reporting, position limit and exercise limit requirements that the commodity futures exchange or its clearing house establishes;</li> <li data-bbox="586 884 1360 1125">(xiii) a statement that the Dealer Member requires a client to maintain a minimum margin that is the greater of: <ul style="list-style-type: none"> <li data-bbox="662 959 1328 1014">(a) the amount the commodity futures exchange or clearing house prescribes;</li> <li data-bbox="662 1045 1117 1073">(b) the Corporation’s requirements; and</li> <li data-bbox="662 1104 1117 1131">(c) the Dealer Member’s requirements;</li> </ul> </li> <li data-bbox="586 1157 1360 1211">(xiv) the client’s obligation to maintain adequate margin and security and to pay any debts to the Dealer Member;</li> <li data-bbox="586 1243 1360 1297">(xv) a statement that the Dealer Member may commingle and use the client’s margin funds or property in its own business;</li> <li data-bbox="586 1329 1182 1356">(xvi) the client’s obligations to pay commission, if any;</li> <li data-bbox="586 1388 1360 1442">(xvii) the client’s obligation to pay interest on debit balances in the account, if any;</li> <li data-bbox="586 1474 1360 1593">(xviii) any discretionary authority given to the Dealer Member 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 Rule 3200;</li> <li data-bbox="586 1625 1360 1680">(xix) the client’s acknowledgement that they have received the Risk Disclosure Statement; and</li> <li data-bbox="586 1711 1360 1885">(xx) 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: <ul style="list-style-type: none"> <li data-bbox="662 1803 971 1831">(a) on a life time basis; or</li> <li data-bbox="662 1862 1328 1890">(b) on an annual basis, provided that it is updated annually.</li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
1800.10	<p><b>3258. Letters of undertaking</b></p> <p>(1) Instead of a Futures or Futures Contract Options Trading Agreement, a Dealer Member may obtain a letter of undertaking for accounts where the client is:</p> <ul style="list-style-type: none"> <li>(i) an acceptable institution;</li> <li>(ii) an acceptable counterparty;</li> <li>(iii) a regulated entity; or</li> <li>(iv) another adviser registered under any applicable legislation relating to trading or advising in respect of futures contracts or futures contract options.</li> </ul> <p>(2) The letter of undertaking must state that:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(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 in other accounts may be made between accounts (unless these conditions are acknowledged by the client in another document).</li> </ul>
2500VI(A.3)	<p><b>3259. Verification of hedgers</b></p> <p>(1) A Dealer Member must have procedures to verify a client's status as a hedger, which can include the use of a hedge letter, before granting approval to a client as a hedger.</p>
1800.02(d)	<p><b>3260. Risk Disclosure Statement</b></p> <p>(1) A Dealer Member must:</p> <ul style="list-style-type: none"> <li>(i) provide the client with the current Risk Disclosure Statement or other similar document, approved by the Corporation, before accepting a futures contract or futures contract options account;</li> <li>(ii) obtain the client's acknowledgement of receipt of the Risk Disclosure Statement or similar document in paragraph 3260(1)(i);</li> <li>(iii) provide each futures contract or futures contract options client with any amendments to the Risk Disclosure Statement or similar document, approved by the Corporation; and</li> <li>(iv) maintain records showing the names and addresses of all clients to whom it has sent a Risk Disclosure Statement or similar documents, including any amendments.</li> </ul> <p><i>[3261-3269 Reserved]</i></p>

Repealed current rule	Proposed plain language rule
None	<p><b>PART E - Discretionary and Managed Accounts</b></p>
	<p><b>3270. Introduction</b></p> <p>(1) This part sets out requirements relating to the opening and maintenance of discretionary and managed accounts.</p> <p>(2) Each Dealer Member must ensure that persons trading on its behalf, in discretionary or managed accounts, meet the minimum proficiency requirements.</p>
1300.03	<p><b>3271. Prohibition against discretionary trading</b></p> <p>(1) Each Dealer Member must ensure that persons trading on its behalf do not engage in any discretionary trading, including time and price discretion, unless discretion is exercised in a discretionary or managed account in accordance with the requirements set out in Rule 3200.</p>
<p>2500(VII) Introduction 2500VII(A.1) 2500VII(A.2) 2500VII(A.3) 1300.04(a) 1300.04(b) 1300.04(c) 1300.05(b)</p>	<p><b>DISCRETIONARY ACCOUNTS</b></p> <p><b>3272. Accepting a Discretionary Account</b></p> <p>(1) For the purposes of this Rule, a discretionary account is an account in which:</p> <p>(i) the discretionary authority has not been solicited;</p> <p>(ii) the discretion is accepted to accommodate a client who is frequently or temporarily unavailable to authorize trades; and</p> <p>(iii) the term of the discretionary authority does not exceed twelve months.</p> <p>(2) To accept discretionary accounts:</p> <p>(i) the Dealer Member must designate one or more Supervisors, who meet the proficiency requirements set out in Rule 2600, to be responsible for the discretionary accounts;</p> <p>(ii) the Dealer Member must have proper and adequate supervisory policies and procedures designed to ensure the proper operation of discretionary accounts in accordance with Rule 3900;</p> <p>(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;</p> <p>(iv) the Dealer Member must enter into a Discretionary Account Agreement with the client prior to accepting the account as a discretionary account;</p> <p>(v) the Designated Supervisor must approve the account as a discretionary account, and approve the Discretionary Account Agreement signed by the client; and</p> <p>(vi) the Dealer Member must maintain a record of the Designated Supervisor's approval.</p>

Repealed current rule	Proposed plain language rule
2500VII(A.2) 1300.05	<p><b>3273. Discretionary Account Agreement</b></p> <p>(1) A Discretionary Account Agreement must:</p> <ul style="list-style-type: none"> <li>(i) define the extent of the discretionary authority given to the Dealer Member by the client;</li> <li>(ii) include any restrictions on the trading authorization;</li> <li>(iii) have a maximum term of 12 months; and</li> <li>(iv) set out the terms of termination in accordance with subsection 3273(2).</li> </ul> <p>(2) A Discretionary Account Agreement may only be terminated by written notice:</p> <ul style="list-style-type: none"> <li>(i) by the client, effective when received by the Dealer Member, except for orders entered prior to receipt of the notice; or</li> <li>(ii) by the Dealer Member, effective not less than 30 days from the mailing date of the notice to the client.</li> </ul>
1300.04(d) 1300.04(e)	<p><b>3274. Persons authorized to effect discretionary trades</b></p> <p>(1) A Registered Representative may only be authorized to effect trades for a discretionary account if:</p> <ul style="list-style-type: none"> <li>(i) the Registered Representative has at least two years experience in trading, advising or performing analysis with respect to all types of products that are to be traded on a discretionary basis; and</li> <li>(ii) the discretionary account is maintained at the Dealer Member of the Registered Representative.</li> </ul>
1300.18 2500VII(B.2)	<p><b>3275. Conflict of Interest</b></p> <p>(1) A discretionary account must not acquire any publicly traded securities of the Dealer Member or its affiliates.</p> <p>(2) A Dealer Member and the person referred to in section 3274 must not trade for his or her or the Dealer Member's own accounts, or arrange or knowingly permit for any associate or affiliate to trade, in reliance upon the information relating to trades made or to be made in any discretionary account.</p> <p><i>[3276-3279 Reserved]</i></p>
1300.03 1300.07(b) 1300.07(c) 1300.07(d) 1300.15 Introduction 1300.15(b)	<p><b>MANAGED ACCOUNTS</b></p> <p><b>3280. Opening a Managed Account</b></p> <p>(1) For the purpose of this Rule, a managed account is one in which:</p> <ul style="list-style-type: none"> <li>(i) the investment portfolios were solicited for discretionary management on a continuing basis; and</li> <li>(ii) the investment decisions are made on a continuing basis by the Dealer Member or a third party hired by the Dealer Member.</li> </ul>

Repealed current rule	Proposed plain language rule
1300.08	<p>(2) To accept managed accounts:</p> <ul style="list-style-type: none"> <li>(i) the Dealer Member must designate a Supervisor to be responsible for managed accounts;</li> <li>(ii) the Dealer Member must have proper policies and procedures to handle managed accounts in accordance with Rule 3900;</li> <li>(iii) the Dealer Member must enter into a Managed Account Agreement with the client prior to opening a managed account;</li> <li>(iv) the Designated Supervisor must approve the managed account in writing;</li> <li>(v) the Dealer Member must retain a record of the Supervisor's approval;</li> <li>(vi) the Dealer Member must provide the client with a copy of its policy ensuring fair allocation of investment opportunities.</li> </ul> <p><b>3281. Managed Account Agreement</b></p> <p>(1) The Managed Account Agreement must:</p> <ul style="list-style-type: none"> <li>(i) describe or refer to the client's investment objectives and risk tolerance that are applicable to the managed account or accounts;</li> <li>(ii) describe any investment restrictions imposed by the client, where permitted by the Dealer Member; and</li> <li>(iii) set out the terms of termination in accordance with subsection 3281(2).</li> </ul> <p>(2) The Managed Account Agreement may only be terminated by written notice:</p> <ul style="list-style-type: none"> <li>(i) by the client, effective on receipt by the Dealer Member, except for transactions entered prior to receipt of the notice; or</li> <li>(ii) by the Dealer Member, effective not less than 30 days from the date of mailing the notice to the client.</li> </ul>
1300.07(a)	<p><b>3282. Persons authorized to deal with managed accounts</b></p> <p>(1) Each Dealer Member must designate an individual authorized to deal with managed accounts who is:</p> <ul style="list-style-type: none"> <li>(i) a Portfolio Manager in accordance with Rule 2600; or</li> <li>(ii) a sub-advisor with whom the Dealer Member has entered into a written sub-advisor agreement.</li> </ul> <p>(2) The sub-advisor in paragraph 3282(1)(ii) must be:</p> <ul style="list-style-type: none"> <li>(i) an individual or firm registered in the jurisdiction in which it resides, in a category of registration that permits the person or company to provide discretionary portfolio management services or as a broker or investment dealer active as a portfolio manager; and</li> </ul>



Repealed current rule	Proposed plain language rule
1300.18 1300.19	<p style="text-align: center;">(ii) subject to legislation or regulations containing conflict of interest provisions at least equivalent to those set out in section 3283 or has entered into an agreement with the Dealer Member that it will comply with section 3283.</p> <p><b>3283. Conflicts of Interest</b></p> <p>(1) A Dealer Member or a person referred to in section 3282 must not trade for his or her or the Dealer Member's own account, or arrange or knowingly permit any associate or affiliate to trade in reliance upon information relating to trades made or to be made in a managed account.</p> <p>(2) A Dealer Member or a person in section 3282 must not, without the written consent of the client, knowingly allow a managed account to:</p> <p>(i) invest in a security or derivative of an issuer that is related or connected to the Dealer Member;</p> <p>(ii) invest in a security or derivative of an issuer if the person in section 3282 is an officer or director of the issuer unless the position of the Dealer Member or the person in section 3282 with the issuer is disclosed to the client;</p> <p>(iii) invest in new issues or secondary offerings underwritten by the Dealer Member; or</p> <p>(iv) purchase or sell a security or derivative of an issuer from the account of a person in section 3282, or affiliate of such person.</p>
1300.20	<p><b>3284. Application of client priority rule</b></p> <p>(1) Section 3505 (the client priority rule) does not apply to the accounts of partners, Directors, Officers, Approved Persons or Employees of a Dealer Member who participate in a managed account program on the same basis as client accounts, except with regards to the accounts of any such persons involved in the investment decision process.</p>
1300.16 1300.17 1300.21	<p><b>3285. Fees and remuneration</b></p> <p>(1) A Dealer Member may not charge a client directly for services rendered to the managed account, that is:</p> <p>(i) based upon the volume or value of transactions in the account initiated for the account; or</p> <p>(ii) contingent upon profit or performance of the client's account</p> <p>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.</p> <p>(2) A Dealer Member must not compensate the person referred to in section 3282, on the basis of the value or volume of transactions in the account.</p>

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
TEXT OF THE CURRENT RELEVANT PROVISIONS OF DEALER MEMBER RULES  
17, 29, 200, 800, 1300, 1500, 1800, 1900, 2500, 2700 AND 3200**

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

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- 17.14. A Dealer Member engaged in trading in any securities or commodity futures contracts or options listed on or issued by a recognized stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization, as the case may be, in respect of which the Rules or any Rulings do not prescribe specific standards or requirements, shall comply with the provisions of the relevant bylaws and regulations of such stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization in effect from time to time to the extent not inconsistent with the Rules. For the purposes of this Rule 17.14, the Board of Directors shall, from time to time, designate recognized stock exchanges, futures exchanges, clearing or service corporations, or other listing or issuing organizations.
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**RULE 29  
BUSINESS CONDUCT**

- 29.1. Dealer Members and each partner, Director, Officer, Supervisor, Registered Representative, Investment Representative and employee of a Dealer Member (i) shall observe high standards of ethics and conduct in the transaction of their business, (ii) shall not engage in any business conduct or practice which is unbecoming or detrimental to the public interest, and (iii) shall be of such character and business repute and have such experience and training as is consistent with the standards described in clauses (i) and (ii) or as may be prescribed by the Board.

For the purposes of disciplinary proceedings pursuant to the Rules, each Dealer Member shall be responsible for all acts and omissions of each partner, Director, Officer, Supervisor, Registered Representative, Investment Representative and employee of a Dealer Member; and each of the foregoing individuals shall comply with all Rules required to be complied with by the Dealer Member.

- 29.2. During the period of distribution to the public (as that term is defined in the relevant securities legislation) of any securities a Dealer Member shall not offer for sale or accept any offer to buy all or any part of the securities acquired by such Dealer Member through its participation in such distribution as an underwriter or as a member of a banking or selling group at a price or prices in excess of the stated initial public offering price of such securities.
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- 29.6. No Dealer Member or any Director, Executive or employee or shareholder of a Dealer Member shall give, offer or agree to give or offer, directly or indirectly, to any partner, director, officer, employee, shareholder or agent of a customer, or any associate of such persons, a gratuity, advantage, benefit or any other consideration in relation to any business of the customer with the Dealer Member, unless the prior written consent of the customer has first been obtained.
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29.26

(1)

- (a) Each Dealer Member, or partner, Director, or Officer or Approved Person of a Dealer Member shall provide to each client a Leverage Risk Disclosure Statement:
- i) at the time a new account is opened,
  - ii) when a recommendation is made to a client to purchase securities using, in whole or in part, borrowed money, or
  - iii) when the Dealer Member, partner, Director, Officer or Approved Person of the Dealer Member becomes aware of a client's intent to purchase securities using, in whole or in part, borrowed money.

- (b) The Dealer Member or partner, Director, Officer or Approved Person of the Dealer Member is required to comply with subsection (a)(ii) or (iii) if within the preceding six month period a Leverage Risk Disclosure Statement has been provided to the client.
- (c) The Leverage Risk Disclosure Statement shall 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.

- (2) Section 29.26(1) does not apply to the purchase of securities by a client on margin if the client's margin account is operated in accordance with the Rules of the Corporation.

**RULE 200  
MINIMUM RECORDS**

200.1. As required under Rule 17.2 every Dealer Member shall make and keep current books and records necessary to record properly its business transactions and financial charts including, without limitation:

- (i) A record in respect of each cash and margin account:
  - (1) The name and address of the beneficial owner (and guarantor, if any) of such account,
  - (2) In the case of a margin account a properly executed margin agreement containing the signature of such owner (and guarantor, if any), and
  - (3) Where trading instructions are accepted from a person or corporation other than the customer, written authorization or ratification from the customer naming the person or company,

But, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account;

Guide to interpretation of Rule 200.1

- (i) "Records of Cash and Margin Accounts"

A margin agreement between a Dealer Member and a customer shall define at least the following:

- (i) The obligation of the customer in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security;
- (ii) The obligation of the customer in respect of the payment of interest on debit balances in his or her account;
- (iii) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the customer's account;
- (iv) The extent of the right of the Dealer Member to make use of free credit balances in the customer's account;
- (v) The rights of the Dealer Member in respect of the realization of securities and other assets held in the customer's account and in respect of purchases to cover short sales, and whether any prior notice is required, and if notice be required, the nature and extent of it and the obligations of the customer in respect of any deficiency;
- (vi) The extent of the right of the Dealer Member to utilize a security in the customer's account for the purpose of making a delivery on account of a short sale;

- (vii) The extent of the right of the Dealer Member to use a security in the customer's account for delivery on a sale by the Dealer Member for his or her or its own account or for any account in which the Dealer Member, any partner therein or any director thereof, is directly or indirectly interested;
- (viii) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the customer's account and to hold the same as collateral security for the customer's indebtedness; and
- (ix) That all transactions entered into on behalf of the customer shall be subject to the Rules of the Investment Industry Regulatory Organization of Canada and/or any securities exchange if executed thereon.

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**RULE 800**  
**TRADING AND DELIVERY**

800.11. Dealer Members will not deal, either directly or indirectly, with or for the personal account of any employee of other Dealer Members without the written consent of a director or partner of the employee's firm.

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**RULE 1300**  
**SUPERVISION OF ACCOUNTS**

1300.1.

**Identity and Creditworthiness**

- (a) Each Dealer Member shall use due diligence to learn and remain informed of the essential facts relative to every customer and to every order or account accepted.
- (b) When opening an initial account for a corporation or similar entity, the Dealer Member shall:
  - (i) ascertain the identity of any individual who is the beneficial owner of, or exercises direct or indirect control or direction over, more than 10% of the corporation or similar entity, including the name, address, citizenship, occupation and employer of each such beneficial owner, and whether any such beneficial owner is an insider or controlling shareholder of a publicly traded corporation or similar entity; and
  - (ii) as soon as is practicable after opening the account, and in any case no later than six months after the opening of the account, verify the identity of each individual identified in (i) using such methods as enable the Dealer Member to form a reasonable belief that it knows the true identity of each individual and that are in compliance with any applicable legislation and regulations of the Government of Canada or any province.
- (c) Subsection (b) does not apply to:
  - (i) a corporation or similar entity that is or is an affiliate of a bank, trust or loan company, credit union, caisse populaire, insurance company, mutual fund, mutual fund management company, pension fund, securities dealer or broker, investment manager or similar financial institution subject to a satisfactory regulatory regime in the country in which it is located
  - (ii) a corporation or similar entity whose securities are publicly traded or an affiliate thereof.
- (d) The Corporation may, at its discretion, direct Dealer Members that the exemption in subsection (c) does not apply to some or all types of financial institutions located in a particular country.
- (e) When opening an initial account for a trust, a Dealer Member shall:
  - (i) ascertain the identity of the settlor of the trust and, as far as is reasonable, of any known beneficiaries of more than 10% of the trust, including the name, address, citizenship, occupation and employer of each such settlor and beneficiary and whether any is an insider or controlling shareholder of a publicly traded corporation or similar entity.
  - (ii) as soon as is practicable after opening the account, and in any case no later than six months after the opening of the account, verify the identity of each individual identified in (i) using such methods as enable

the Dealer Member to form a reasonable belief that it knows the true identity of each individual and that are in compliance with any applicable legislation and regulations of the Government of Canada or any province.

- (f) Subsection (e) does not apply to a testamentary trust or a trust whose units are publicly traded.
- (g) If a Dealer Member, on inquiry, is unable to obtain the information required under subsections (b)(i) and (e)(i), the Dealer Member shall not open the account.
- (h) If a Dealer Member is unable to verify the identities of individuals as required under subsections (b)(ii) and (e)(ii) within six months of opening the account, the Dealer Member shall restrict the account to liquidating trades and transfers, payments or deliveries out of funds or securities only until such time as the verification is completed.
- (i) No Dealer Member shall open or maintain an account for a shell bank.
- (j) For the purposes of section (i) a shell bank is a bank that does not have a physical presence in any country.
- (k) Subsection (i) does not apply to a bank which is an affiliate of a bank, loan or trust company, credit union, other depository institution that maintains a physical presence in Canada or a foreign country in which the affiliated bank, loan or trust company, credit union, other depository institution is subject to supervision by a banking or similar regulatory authority.
- (l) Any Dealer Member having an account for a corporation, similar entity or trust other than those exempt under subsections (c) and (f) and which does not have the information regarding the account required in subsections (b)(i) and (e)(i) at the date of implementation of those subsections shall obtain the information within one year from date of implementation of subsections (b) and (e).
- (m) If the Dealer Member does not or cannot obtain the information required under subsection (l) the Dealer Member shall restrict the account to liquidating trades and transfers, payments or deliveries out of funds or securities until such time as the required information has been obtained.
- (n) Dealer Members must maintain records of all information obtained and verification procedures conducted under this Rule 1300.1 in a form accessible to the Corporation for a period of five years after the closing of the account to which they relate.

**Business Conduct**

- (o) Each Dealer Member shall use due diligence to ensure that the acceptance of any order for any account is within the bounds of good business practice.

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**Corporation Approval**

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

1300.2.

- (a) A Dealer Member must designate a Supervisor to be responsible for the opening of new accounts and for establishing and maintaining procedures acceptable to the Corporation for account supervision to ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry. As part of this supervision each new account must be opened pursuant to a new account form which includes the applicable information required by Form No. 2 for Retail Customer accounts, Institutional Customer accounts and for accounts exempt from suitability reviews.
- (b) Where a Dealer Member conducts more than one of retail business, institutional business and suitability-exempt business under Rules 1300.1(t) and 3200.B, the Dealer Member may designate separate Supervisors for each type of business.

- (c) The Supervisor designated under this section or another Supervisor assigned the responsibility for doing so in the policies and procedures of the Dealer Member must approve and record the approval of the opening of an account prior to or promptly after the completion of any transaction.

### **Discretionary and Managed Accounts**

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

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

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

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

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

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

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

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

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

1300.4. A Registered Representative may not exercise discretionary authority over a customer account unless:

- (a) the Dealer Member has designated a Supervisor or Supervisors to be responsible for discretionary accounts;
- (b) the customer has given prior written authorization in compliance with in compliance with Rule 1300.5;
- (c) a Supervisor designated under subsection (a) has approved the account as a discretionary account and recorded that approval;
- (d) the Registered Representative authorized to effect discretionary trades for the account has actively dealt in, advised on or performed analysis for a period of two years with respect to all types of products which are to be traded on a discretionary basis; and
- (e) the account is maintained at the Dealer Member of the Registered Representative.

1300.5. The prior written authorization provided for by clause (a) of Rule 1300.4 must:

- (a) define the extent of the discretionary authority which has been given to the Dealer Member;
- (b) except for a managed account, have a term of no more than twelve months, unless the Dealer Member has satisfied the Corporation that a longer term is appropriate and the customer is aware of such longer term;
- (c) except for a managed account, only be renewable in writing;
- (d) only be terminated by the customer by notice in writing, effective on receipt of the notice by the Dealer Member except with respect to transactions entered into prior to the receipt; and
- (e) only be terminated by the Dealer Member by notice in writing, effective not less than 30 days from the date of delivery to the customer.

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1300.7. A Dealer Member may not exercise any discretionary authority with respect to a managed account unless:

- (a) the individual who is responsible for the management of the account is:
  - (i) a portfolio manager; or
  - (ii) a sub-adviser with which the Dealer Member has entered into a written sub-adviser agreement, provided that
    - A. the sub-adviser is an individual or firm registered in the jurisdiction in which it resides, in a category of registration that permits the person or company to provide discretionary portfolio management services or as a broker or investment dealer active as a portfolio manager; and
    - B. the Dealer Member has determined that the sub-adviser is subject to legislation or regulations containing conflict of interest provisions at least equivalent to Rules 1300.18 and 1300.19 or has entered into an agreement with the sub-adviser that the sub-adviser will comply with Rules 1300.18 and 1300.19.
- (b) the client has signed a managed account agreement in accordance with Rule 1300.8
- (c) the Supervisor designated under Rule 1300.15(b) or in the Dealer Member's policies and procedures has specifically approved the account as a managed account and the approval has been recorded in writing;
- (d) the Dealer Member has provided to the accountholder a copy of its policy ensuring fair allocation of investment opportunities.

1300.8. The managed account agreement provided for by clause (b) of Rule 1300.7 must:

- (a) describe the investment objectives and risk tolerance of the customer with respect to the managed account or accounts;
- (b) where permitted by the Dealer Member, describe any constraints imposed by customer on investments to be made in the managed account or accounts;
- (c) only be terminated by the customer by notice in writing, effective on receipt by the Dealer Member except with respect to transactions entered into prior to the receipt; and
- (d) only be terminated by the Dealer Member by notice in writing, effective not less than 30 days from the date of delivery of the notice to the customer.

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1300.15. A Dealer Member that has managed accounts or futures contracts managed accounts must establish and maintain a system acceptable to the Corporation to supervise the activities of those responsible for the management of such accounts under Rule 1300.7. The system must be reasonably designed to achieve compliance with the Rules and Forms of the Corporation. A Dealer Member firm's supervisory system must provide, at a minimum, for the following:

- (a) the establishment and maintenance of written procedures, including:
  - (i) procedures designed to disclose when a responsible person has contravened Rules 1300.18 or 1300.19;
  - (ii) procedures to ensure fairness in the allocation of investment opportunities among its managed accounts;
- (b) the designation of one or more Supervisors specifically responsible for the supervision of managed accounts.

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1300.16. A Dealer Member may charge a client directly for services rendered to a managed account but, except with the written agreement of the client, the charge may not be based on the volume or value of transactions initiated for the account or be contingent upon profits or performance.

1300.17. A Dealer Member may not pay remuneration to anyone managing a managed account that is computed on the basis of the value or volume of transactions in the account.

1300.18. No Dealer Member or responsible person shall trade for his or her or the Dealer Member's own account, or knowingly permit or arrange for any associate or affiliate to trade, in reliance upon information as to trades made or to be made for any discretionary or managed account.

1300.19. No Dealer Member or responsible person shall, without the written consent of the client, knowingly cause any managed account to:

- (a) invest in the securities of, or a futures contract or option that is based on the securities of, the Dealer Member or an issuer that is related or connected to the Dealer Member;
- (b) invest in the securities of any issuer, or a futures contract or option that is based on the securities of an issuer, of which a responsible person is an officer or director, and no such investment shall be made even with the written consent of the client unless such office or directorship shall have been disclosed to the client;
- (c) invest in new or secondary issues underwritten by the Dealer Member;
- (d) purchase or sell the securities of any issuer, or a futures contract or option that is based on the securities of an issuer, from or to the account of a responsible person, or from or to the account of an associate of a responsible person; or
- (e) make a loan to a responsible person or to an associate of a responsible person.

A Dealer Member or related company or a partner, Director, Officer, employee or associate of either of them shall be deemed not to have breached any provision of this Rule 1300.19 in connection with any trade or activity if conducted in compliance with any securities legislation or rule, policy, directive or order of any securities commission which specifically applies to the trade or activity.

1300.20 Where investment decisions are made centrally and applied across a number of managed accounts, Rule 29.3A does not apply to the managed accounts of partners, Directors, Officers, Approved Persons, employees or agents of the Dealer Member who participate on the same basis as client accounts in the implementation of those decisions.

1300.21 Except as specifically permitted in the Rules or Rulings, a Dealer Member may not charge a customer a fee that is contingent upon the profit or performance of the customer's account.

**RULE 1500  
CONDUCT AND PRACTICES HANDBOOK FOR SECURITIES INDUSTRY PROFESSIONALS**

1500.1

- (a) Every registered representative, investment representative, partner, director or officer of a Dealer Member shall have in their possession and have read the Conduct and Practices Handbook for Securities Industry Professionals, including any updates:
- (b) Each Dealer Member shall:
  - (i) Take reasonable measures to ensure that all individuals who are employed by such Dealer Member as a registered representative, investment representative, partner, director or officer have in their possession and have read the Conduct and Practices Handbook for Securities Industry Professionals including any updates; and
  - (ii) Bring to the attention and provide all updates of the Conduct and Practices Handbook for Securities Industry Professionals to all registered representatives, investment representatives, partners, directors and officers.
- (c) For the purposes of Rule 1500, having access to an electronic version of the Conduct and Practices Handbook for Securities Industry Professionals shall qualify as having possession of it.



**RULE 1800**  
**COMMODITY FUTURES CONTRACTS AND OPTIONS**

1800.2

- (b) A Dealer Member must enter into a futures contract trading agreement or futures contract options trading agreement in compliance with Rule 1800.9 with a customer before effecting the customer's initial trade in futures contracts or futures contract options;
- (c) The Supervisor designated under Rule 1800.2(a) or another Supervisor qualified to supervise futures contracts or futures contract options trading must approve the opening of the account of each customer of the Dealer Member for trading in futures contracts or futures contract options before the customer's first trade in futures contracts or futures contract options.
- (d) A Dealer Member must:
  - (i) provide to each customer the then current risk disclosure statement approved by the Corporation and obtain from the customer acknowledgement of its receipt before the customer's initial trade in futures contracts or futures contract options
  - (ii) distribute to each customer having a futures contract or futures contract options account any amendments to the risk disclosure statement approved by the Corporation; and
  - (iii) maintain records showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been provided and the date or dates on which they were provided;

1800.9. The account agreement required in Rule 1800.2(b) must define the rights and obligations between the Dealer Member and the customer on the subjects that the Corporation may from time to time determine, including the following:

- (a) The rights of the Dealer Member to exercise discretion in accepting orders;
- (b) The Dealer Member's obligation with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;
- (c) The customer's obligation in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security, including the conditions under which the funds, securities or other property held in the account or any other accounts of the customer may be applied to such indebtedness or margin;
- (d) The obligation of the customer in respect of commissions, if any, on futures contracts or futures contract options bought and sold for his or her account;
- (e) The obligation of the customer in respect of the payment of interest, if any, on debit balances in his or her account;
- (f) The extent of the right of the Dealer Member to make use of free credit balances in the customer's account either in its own business or to cover debit balances in the same or other accounts, and the consent, if given, of the customer to the Dealer Member taking the other side to the customer's transactions from time to time;
- (g) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the customer's account;
- (h) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the customer's account and to hold the same as collateral security for the customer's indebtedness;

- (i) The customer's obligation to comply with the rules pertaining to futures contracts or futures contract options with respect to reporting, position limits and exercise limits, as applicable, as established by the commodity futures exchange on which such futures contracts or futures contract options are traded or its clearing house;
- (j) The right of the Dealer Member, if so required, to provide regulatory authorities with information and/or reports related to reporting limits and position limits;
- (k) The acknowledgement by the customer that he or she has received the current risk disclosure statement required by Rule 1800.2(d);
- (l) The right of the Dealer Member to impose trading limits and to close out futures contracts or futures contract options under specified conditions;
- (m) That minimum margin will be required from the customer in such amounts and at such times as the commodity futures exchange on which a contract is entered or its clearing house may prescribe and in such greater amounts at other times as prescribed by the Rules and as determined by the Dealer Member, and that such funds or property may be commingled and used by the Dealer Member in the conduct of its business;
- (n) In the case of futures contract options accounts, the method of allocation of exercise assignment notices and the customer's obligation to instruct the Dealer Member to close out contracts prior to the expiry date; and
- (o) Unless provided for in a separate agreement, the authority, if any, of the Dealer Member to effect trades for the customer on a discretionary basis, which authority shall be separately acknowledged in a part of the agreement prominently marked off from the remainder and shall not be inconsistent with any Rules relating to discretionary accounts.

1800.10. Rule 1800.9 does not apply to the opening of a futures contracts or futures contract options account where the customer is a dealer on its own behalf, a dealer on behalf of its customer if the dealer is required to maintain with its customer an account agreement substantially similar to that described in Rule 1800.9, an adviser registered under any applicable legislation relating to trading or advising in respect of futures contracts or futures contract options, an acceptable institution or an acceptable counter-party, provided the Dealer Member has obtained from the customer a letter of undertaking specifying:

- (a) That the person opening the account will comply with the by-laws, rules and regulations of the exchange and clearing house upon or through which trades in contracts are to be effected including without limitation, the rules and regulations establishing position and reporting limits; and
- (b) Where the customer also maintains with the same Dealer Member an account on which the customer is charged interest when there is a debit balance in the account, the conditions under which transfers of funds, securities or other property held in such other account will be made between accounts, unless provision is made elsewhere in a document signed by the person opening the account.

**RULE 1900  
OPTIONS**

1900.2

- (b) A Dealer Member must enter into an options trading agreement in compliance with Rule 1900.6 with a customer before effecting the customer's initial trade in options;
- (c) The Supervisor designated under Rule 1900.2(a) or another Supervisor qualified to supervise options trading must approve each customer account of the Dealer Member for trading in options before the customer's first trade in options;
- (d) A Dealer Member must:
  - (i) provide to each customer the then current disclosure approved by the Corporation and obtain from the customer acknowledgement of its receipt before the customer's first trade in options;

- (ii) provide to each customer having an account approved for options trading any amendments to the disclosure document in subsection (i); and
  - (iii) maintain records showing the names and addresses of all persons to whom a current disclosure statement or an amendment thereto has been provided and the date or dates on which they were provided.
- (e) A Dealer Member must comply with the applicable rules and rulings of any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits.

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. 1900.6.

- (a) The options trading agreement required in Rule 1900.2(b) must define the rights and obligations between the Dealer Member and the customer on the subjects that the Corporation may from time to time determine, including the following:
- (i) the rights of the Dealer Member to exercise discretion in accepting orders;
  - (ii) the Dealer Member's obligations with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;
  - (iii) the method of allocation of exercise assignment notices;
  - (iv) the notice that maximum limits may be set on short positions and that during the last 10 days to expiry cash only terms may be applied and, in addition, that the Corporation may impose other rules affecting existing or subsequent transactions;
  - (v) the customer's obligation to instruct the Dealer Member to close out contracts prior to expiry date;
  - (vi) the customer's obligation to comply with applicable Rules and Rulings of the Corporation and any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits;
  - (vii) the acknowledgement by the customer that he or she has received the current disclosure statement referred to in Rule 1900.2(d);
  - (viii) a statement of the time limit set by the Dealer Member prior to which the client must submit an exercise notice; and
  - (ix) any other matter required by the exchange, clearing corporation or other organization on or through which an option is traded or issued.
- (b) Notwithstanding Rule 1900.6(a), if the client is an acceptable institution or acceptable counter-party the Dealer Member may, in lieu of maintaining an options trading agreement, accept a letter of undertaking from the acceptable institution or acceptable counter-party in which the institution or counter-party agrees to abide by the Rules, Rulings and requirements of the Corporation and of the exchange, clearing corporation or other organization on or through which an option is traded including those relating to exercise and position limits.

**RULE 2500**  
**MINIMUM STANDARDS FOR RETAIL CUSTOMER ACCOUNT SUPERVISION**

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. **I. Establishing and Maintaining Procedures, Delegation and Education**

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**F. Records**

1. A Dealer Member must maintain records of supervisory review for seven years.

## II. Opening New Accounts

### Introduction

To comply with the "Know-Your-Client" rule each Dealer Member must establish procedures to maintain accurate and complete information on each client. The first step towards compliance with this rule is completing proper documentation when opening new accounts. Accurate completion of the documentation when opening a new account allows both the Registered Representative and the supervisory staff to conduct the necessary review to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives. Maintaining accurate and current documentation will allow the Registered Representative and the supervisory staff to ensure that all recommendations made for any account are appropriate for the client and in keeping with the client's investment objectives.

"Know-Your-Client" procedures must also be directed at meeting a Dealer Member's gatekeeper obligations by identifying clients that present a high risk of conducting improper activities in the securities markets. For example, if a Dealer Member is concerned about a client's reputation, the Dealer Member must make all reasonable inquiries to resolve the concern. This includes making a reasonable effort to determine, for example, the nature of the client's business. Dealer Members should refuse to accept instructions from clients who, in the Dealer Member's judgment, are engaged in illegal, unfair or abusive trading activities. "Know-Your-Client" procedures must also meet the requirements of anti-money laundering and terrorist financial legislation and regulations.

### A. Documentation

1. A Dealer Member must complete an account application for each new customer that conforms to the account information requirements of this Rule.
2. A Supervisor authorized in the Dealer Member's policies and procedures to do so must approve a fully completed new account application no later than the business day after the initial trade. 'Fully completed' means that all information necessary to assess suitability, creditworthiness and risk has been obtained but does not mean that the client must have signed the application if the Dealer Member requires that the client do so. Alternate procedures for securing interim approval are acceptable to prevent undue delays provided the Supervisor applies prompt final approval following the initial trade. If an account application received after the initial trade is not fully completed, a Dealer Member must restrict the account to liquidating trades only until a fully completed application has been approved.
3. Where the customer is an employee or agent of another registered dealer, a Dealer Member must obtain written approval of the customer's employer or principal before opening the account. A Dealer Member must designate such accounts as non-client accounts.
4. A Dealer Member must maintain a complete set of documentation regarding each account. The Registered Representative(s) handling an account must maintain a copy of the account application. A Dealer Member can meet this requirement by maintaining the information on the application in an electronic application accessible to the Registered Representative.
5. The Registered Representative must update the information on the application where there is a material change in client information. The update must be approved in the manner provided in subsection A.2. A Dealer Member must restrict the access of Registered Representatives and other persons to its electronic systems for maintaining know-your-client information so that material information cannot be changed without the required approval. A Dealer Member must have procedures independent of the Registered Representative for verifying material changes to customer information, such as changes of address, financial situation, investment objectives or risk tolerance.
6. When there is a change of Registered Representative, the new Registered Representative must verify the account information to ensure it is current. A Dealer Member must have a procedure for recording that the new Registered Representative has reviewed the customer information and that the appropriate Supervisor is satisfied that it has been reviewed and has approved any material changes. It is acceptable for the Registered Representative to record and initial any changes on a photocopy of the existing application provided that it was previously approved within two years of the review.
7. A Dealer Member must not assign an account number for a new customer unless it has the proper name and address of the customer.

**B. Pending Documents**

1. A Dealer Member must have procedures in place to ensure supporting documents are received within a reasonable period of time of opening the account.  
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3. A Dealer Member must have a system for recording pending account documentation and following up where it is not received in a reasonable time.
4. A Dealer Member must take positive action specified in its policies and procedures to obtain required documentation not obtained within 25 business days of the opening of the account.

**C. Other Requirements**

1. All hold mail must be authorized by the client in writing and be controlled, reviewed on a regular basis and maintained by the responsible Supervisor.
2. Returned mail must be properly investigated and controlled by a person who is independent of the sales function but may be located within a Business Location.  
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**V. Option Account Supervision**  
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**A. Account Opening and Approval**

1. The option trading agreement and option account application must be completed and the client's agreement recorded before the first trade. This applies to new accounts or existing accounts approved for other products.
2. The option trading agreement contents must meet or exceed Corporation requirements.
3. The Designated Options Supervisor or another options qualified Supervisor must approve all accounts to trade in options and their approval and the date of approval must be recorded.
4. The approving Supervisor must determine whether the risk characteristics of the strategies the customer intends to use are appropriate for the customer and in keeping with his or her investment objectives and risk tolerance. If they are not, the approving Supervisor should restrict the account from using inappropriate strategies and note with the option account approval any trading restrictions imposed. The Supervisor must ensure that the Registered Representative handling the account is aware of any restrictions.  
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**VI. Future and Futures Options Account Supervision**  
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**A. Account Opening and Approval**

1. The futures trading agreement or letter of undertaking under Rule 1800.2(b) and futures account application must be completed, and the client's agreement recorded, before the first trade. This applies to new accounts or existing accounts approved for other products.
2. The Designated Futures Supervisor or another futures qualified Supervisor must approve all accounts and their approval and the date of approval must be recorded before any trading.
3. The Supervisor approving the opening of a hedging account must ensure that the Dealer Member has reliable evidence establishing acceptability of a client as a hedger. Such evidence can take the form of a hedge letter or statement supported by verification procedures.
4. The approving Supervisor must determine whether the risk characteristics of the futures contracts or futures contract options and strategies the customer intends to use are appropriate for the customer and in keeping with his or her investment objectives and risk tolerance. If they are not, the approving Supervisor should restrict the account from using inappropriate contracts or strategies and record with the futures account approval any

trading restrictions imposed. The approving Supervisor must ensure that the Registered Representative handling the account is aware of any restrictions.

5. A Dealer Member's futures account application or futures account agreement must include, other than for a hedging account, a risk limit for futures trading indicating the maximum amount of cumulative loss the client can afford to sustain. The maximum loss can be stated on a lifetime basis or on an annual basis. If the loss limit is stated on an annual basis, the Dealer Member must have a procedure to update it annually and the Designated Futures Supervisor or a Supervisor qualified to supervise futures must review and approve the updated loss limit and ensure that it takes into account any previously accumulated losses.

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**VII. Discretionary Account Supervision**

**Introduction**

Simple discretionary accounts are accounts where the discretionary authority has not been solicited and which are designed to accommodate customers who are frequently or temporarily unavailable to authorize trades.

A Dealer Member must consent to accepting discretionary accounts and have the proper documentation and supervisory procedures in place to handle such accounts.

**A. Account Approval**

1. The Designated Supervisor under Rule 1300.4(a) must approve any request for discretion.
2. The Dealer Member and customer must enter into a discretionary account agreement that includes any restrictions to the trading authorization. The Supervisor designated under Rule 1300.4(a) must approve the agreement.
3. The Dealer Member must identify discretionary accounts in its books and records in a manner that ensures that the Dealer Member can properly supervise them.

**B. Entry of Orders**

1. A Supervisor must approve any discretionary order for a discretionary account handled by a Registered Representative prior to the order being entered unless:
  - the Registered Representative is qualified to provide discretionary management services and the Dealer Member has notified the Corporation that he or she provides those services, or
  - the Registered Representative is also an approved Executive.
2. A discretionary account may not hold any publicly traded securities of the Dealer Member or its affiliates.

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**RULE 2700**  
**MINIMUM STANDARDS FOR INSTITUTIONAL CUSTOMER ACCOUNT OPENING, OPERATION AND SUPERVISION**

**Introduction**

This Rule covers the opening, operation and supervision of Institutional Customer accounts, which are accounts for investors that are not individuals who meet the requirements of the definition herein.

This document sets out minimum standards governing the opening, operation and supervision of Institutional Customer accounts.

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**II. New Account Documentation and Approval**

1. A Dealer Member must complete a new customer account form for each Institutional Customer; and
2. A Dealer Member may establish a 'master' new account documentation file, containing full documentation and, when opening sub-accounts, it should refer to the principal or 'master' account with which it is associated.

3. Each new account must be approved by a Supervisor who is Department Head or his or her designate prior to the initial trade or promptly thereafter. Such approval must be recorded in writing or auditable electronic form.
4. The Dealer Member must exercise due diligence to ensure that the new customer account form is updated whenever the Dealer Member becomes aware that there is a material change in customer information.

**RULE 3200**

**MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL UNDER RULE 1300.1(T)  
FOR SUITABILITY RELIEF FOR TRADES NOT RECOMMENDED BY THE MEMBER**

**A. Minimum requirements for Dealer Members offering solely an order-execution service, either as the Dealer Member's only business or through a separate business unit of the Dealer Member**

**3. Account Opening**

- (a) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must make a written disclosure to the customer advising that the Dealer Member or separate business unit of the Dealer Member will not provide any recommendations to the customer and will not be responsible for making a suitability determination of trades when accepting orders from the customer. Such disclosure shall clearly explain to the customer that the customer alone is responsible for his or her own investment decisions and that the Dealer Member will not consider the customer's financial situation, investment knowledge, investment objectives and risk tolerance when accepting orders from the customer.
- (b) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must obtain an acknowledgement from the customer that the customer has received and understood the disclosure described in Paragraph 3(a). For accounts such as joint and investment club accounts having more than one direct beneficial owner, the Dealer Member must obtain an acknowledgement from all beneficial owners.
- (c) Prior to operating any existing accounts under the approval, the Dealer Member or separate business unit of the Dealer Member must provide the disclosure described in Paragraph 3(a) to the customer and obtain the acknowledgement described in Paragraph 3(b).
- (d) The acknowledgements obtained under Paragraphs 3(b) and (c) must take the form of a positive act by the customer(s), a record of which must be maintained by the Dealer Member in an accessible form. Possible forms of the acknowledgement are:
  - (i) The customer's signature or initials on a new customer application form or similar document where the signature or initial specifically relates to the required disclosure and acknowledgement;
  - (ii) The clicking of an appropriately labeled button on an electronic account application form, placed directly under the disclosure and acknowledgement text;
  - (iii) The tape recording of a verbal acknowledgement made by telephone.

**B. Minimum requirements for Dealer Members offering both an advisory and an order-execution only service**

**1. Terminology**

All references to the basis of trades in procedures, documents and reports under this Rule must use the terms "recommended" or "non-recommended". In particular, designating trades as solicited or unsolicited will not be accepted as complying with the requirements of this Rule.

**3. Account Opening**

- (a) At the time an account is opened, the Dealer Member must make a written disclosure to the customer advising that the Dealer Member will not be responsible for making a suitability determination when

accepting an order from the customer which was not recommended by the Dealer Member or a representative of the Dealer Member. Such disclosure shall clearly explain to the customer that the customer alone is responsible for his or her own investment decisions and that the Dealer Member will not consider the customer's financial situation, investment knowledge, investment objectives and risk tolerance when accepting orders from the customer. Such disclosure also shall include a brief description of what does or does not constitute a recommendation and instructions on how the customer can report trades which have not been accurately designated as recommended or non-recommended.

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

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**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
PROPOSED RULE 3100 - BUSINESS CONDUCT  
PROPOSED RULE 3200 - CLIENT ACCOUNTS**

**TABLE OF CONCORDANCE**

<b>Current rule number and title</b>	<b>Sub-section</b>		<b>New rule number</b>	<b>New section, title and description</b>	<b>Sub-Section</b>	<b>Comments</b>
New Provision			Rule 3100	R. 3101 Introduction	(1)	[New]
Rule 0029: Business Conduct	29.01	2nd paragraph	Rule 3100	R. 3102 Business conduct	(1)	
Rule 1300: Supervision of Accounts	1300.02	(a)	Rule 3100	R. 3102 Business conduct	(2)	
Rule 1300: Supervision of Accounts	1300.01	(a)	Rule 3100	R. 3102 Business conduct	(3)	
Rule 1300: Supervision of Accounts	1300.01	(o)	Rule 3100	R. 3102 Business conduct	(4)	[Amended] Section now clarifies that Dealer Member due diligence obligation applies to both orders and trade recommendations
Rule 0017: Dealer Member Minimum Capital, Conduct of Business and Insurance	17.14		Rule 3100	R. 3103 Compliance with all applicable rules	(1) and (2)	
Rule 0029: Business Conduct	29.06		Rule 3100	R. 3104 Conflict of interest	(1) and (2)	
New Provision			Rule 3100	R. 3105 - 3159 Reserved		[New]
Rule 1500: Conduct and Practices Handbook	1500.01	(a)	Rule 3100	R. 3150 Conduct and Practices Handbook	(1)(i)	
Rule 1500: Conduct and Practices Handbook	1500.01	(c)	Rule 3100	R. 3150 Conduct and Practices Handbook	(1)(i)	
Rule 1500: Conduct and Practices Handbook	1500.01	(a)	Rule 3100	R. 3150 Conduct and Practices Handbook	(1)(ii)	
Rule 1500: Conduct and Practices Handbook	1500.01	(c)	Rule 3100	R. 3150 Conduct and Practices Handbook	(1)(ii)	
Rule 1500: Conduct and Practices Handbook	1500.01	(a)	Rule 3100	R. 3150 Conduct and Practices Handbook	(1)(iii)	
Rule 1500: Conduct and Practices Handbook	1500.01	(b)	Rule 3100	R. 3150 Conduct and Practices Handbook	(2)	
New Provision			Rule 3100	R. 3151 - 3199 Reserved		[New]
New Provision			Rule 3200	R. 3201 Introduction	(1) and (2)	[New]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 1300: Supervision of Accounts	1300.01	(a) and NI 31-103 13.2(2)(a)	Rule 3200	R. 3202 Identifying all new clients	(1)(i)	[Amended] Section now conforms with NI 31-103 requirement to make inquiries if there is a concern as to client reputation
Rule 1300: Supervision of Accounts	1300.02	See Form 2 and NI 31-103 13.2(2)(b)	Rule 3200	R. 3202 Identifying all new clients	(1)(ii)	[Amended] Section now conforms with NI 31-103 requirement to use due diligence to determine whether client is an insider
Rule 1300: Supervision of Accounts	1300.02	(a)	Rule 3200	R. 3202 Identifying all new clients	(2)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.1	Rule 3200	R. 3202 Identifying all new clients	(2)	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision (Policy 4)	2700II	(1)	Rule 3200	R. 3202 Identifying all new clients	(2)	
Rule 1300: Supervision of Accounts	1300.01	(e)(i)	Rule 3200	R. 3203 Identifying accounts of trusts	(1)(i)	
Rule 1300: Supervision of Accounts	1300.01	(e)(ii)	Rule 3200	R. 3203 Identifying accounts of trusts	(1)(ii)	
Rule 1300: Supervision of Accounts	1300.01	(g)	Rule 3200	R. 3203 Identifying accounts of trusts	(1)(iii)	
Rule 1300: Supervision of Accounts	1300.01	(f)	Rule 3200	R. 3203 Identifying accounts of trusts	(2)	
Rule 1300: Supervision of Accounts	1300.01	(b)(i) and (ii)	Rule 3200	R. 3204 Identifying accounts of corporations and similar entities	(1)(i) and (ii)	
Rule 1300: Supervision of Accounts	1300.01	(g)	Rule 3200	R. 3204 Identifying accounts of corporations and similar entities	(1)(iii)	
Rule 1300: Supervision of Accounts	1300.01	(c)(i)	Rule 3200	R. 3204 Identifying accounts of corporations and similar entities	(2)(i)	
Rule 1300: Supervision of Accounts	1300.01	(c)(ii)	Rule 3200	R. 3204 Identifying accounts of corporations and similar entities	(2)(ii)	
Rule 1300: Supervision of Accounts	1300.01	(c)(i)	Rule 3200	R. 3204 Identifying accounts of corporations and similar entities	(3)	[Amended] New provision to clarify and codify application of 1300.01 (c)(i)
Rule 1300: Supervision of Accounts	1300.01	(d)	Rule 3200	R. 3204 Identifying accounts of corporations and similar entities	(4)	[Amended] to clarify and codify existing provision
Rule 1300: Supervision of Accounts	1300.01	(i)	Rule 3200	R. 3204 Identifying accounts of corporations and similar entities	(5)	

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 1300: Supervision of Accounts	1300.01	(j)	Rule 3200	R. 3204 Identifying accounts of corporations and similar entities	(5)	
Rule 1300: Supervision of Accounts	1300.01	(k)	Rule 3200	R. 3204 Identifying accounts of corporations and similar entities	(6)	
Rule 1300: Supervision of Accounts	1300.01	(l)	Rule 3200			[Repealed] Section now redundant
Rule 1300: Supervision of Accounts	1300.01	(b)(ii)	Rule 3200	R. 3205 Identity verification	(1)	
Rule 1300: Supervision of Accounts	1300.01	(e)(ii)	Rule 3200	R. 3205 Identity verification	(1)	
Rule 1300: Supervision of Accounts	1300.01	(b)(ii)	Rule 3200	R. 3205 Identity verification	(2)	
Rule 1300: Supervision of Accounts	1300.01	(e)(ii)	Rule 3200	R. 3205 Identity verification	(2)	
Rule 1300: Supervision of Accounts	1300.01	(h)	Rule 3200	R. 3205 Identity verification	(3)	
Rule 1300: Supervision of Accounts	1300.01	(m)	Rule 3200	R. 3205 Identity verification	(3)	
New Provision			Rule 3200	R. 3206 Reserved		[New]
Rule 1300: Supervision of Accounts	1300.02	(a) and (b)	Rule 3200	R. 3207 Account information	(1)	
New Provision			Rule 3200	R. 3207 Account information	(2)	[New] Codifies requirement to verify that the client qualifies as an Institutional Client
Form 2			Rule 3200	R. 3207 Account information	(3)	
New Provision			Rule 3200	R. 3207 Account information	(4)	[New] Codifies requirement to verify that client records maintained meet all other relevant legislative requirements
Rule 0200: Minimum Records	200.01	(i)(2)	Rule 3200	R. 3208 Margin Account Agreement	(1)	
Rule 0200: Minimum Records	200.01	Guide to interpretation (i)	Rule 3200	R. 3208 Margin Account Agreement	(2)	
Rule 0029: Business Conduct	29.26	(1)(a) and (b)	Rule 3200	R. 3209 Leverage Risk Disclosure Statement	(1)	[Amended] Clarification that Leverage Risk Disclosure Statement must be provided to retail clients rather than all clients. Have also added requirement to obtain client's written acknowledgement of the statement.

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0029: Business Conduct	29.26	(1)(b)	Rule 3200	R. 3209 Leverage Risk Disclosure Statement	(2)	
Rule 0029: Business Conduct	29.26	(2)	Rule 3200	R. 3209 Leverage Risk Disclosure Statement	(2)	
Rule 0029: Business Conduct	29.26	(1)(c)	Rule 3200	R. 3209 Leverage Risk Disclosure Statement	(3)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	C.1	Rule 3200	R. 3210 Client mail	(1)	[Amended] Have added a time limit to a client authorized hold mail order
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	C.1	Rule 3200	R. 3210 Client mail	(2)(i)(ii) and (iii)	[Amended] Have clarified that the time limit can only be extended in limited circumstances.
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	C.2	Rule 3200	R. 3210 Client mail	(3)	
New Provision			Rule 3200	R. 3211 - 3219 Reserved		[New]
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.4	Rule 3200	R. 3220 Record keeping	(1)(i)	
Rule 1300: Supervision of Accounts	1300.01	(n)	Rule 3200	R. 3220 Record keeping	(1)(i)	
Rule 0200: Minimum Records	200.01	(i)(1)	Rule 3200	R. 3220 Record keeping	(1)(ii)	
Rule 0200: Minimum Records	200.01	(i)(3)	Rule 3200	R. 3220 Record keeping	(1)(ii) and (iii)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.4	Rule 3200	R. 3220 Record keeping	(2)	
Rule 1300: Supervision of Accounts	1300.01	(n)	Rule 3200	R. 3220 Record keeping	(3)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	Introduction	Rule 3200	R. 3221 Account opening procedures	(1)(i) and (ii)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.2	Rule 3200	R. 3221 Account opening procedures	(1)(i) and (ii)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	B.1	Rule 3200	R. 3221 Account opening procedures	(2)(i)	

**SROs, Marketplaces and Clearing Agencies**

<b>Current rule number and title</b>	<b>Sub-section</b>		<b>New rule number</b>	<b>New section, title and description</b>	<b>Sub-Section</b>	<b>Comments</b>
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	B.3	Rule 3200	R. 3221 Account opening procedures	(2)(ii)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	B.4	Rule 3200	R. 3221 Account opening procedures	(2)(iii)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.5	Rule 3200	R. 3221 Account opening procedures	(2)(iv)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500I	F.1	Rule 3200	R. 3221 Account opening procedures	2(v)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.7	Rule 3200	R. 3222 Opening new client accounts	(1)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.2	Rule 3200	R. 3222 Opening new client accounts	(2), (3) and (4)	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision (Policy 4)	2700II	3	Rule 3200	R. 3222 Opening new client accounts	(3) and (4)	
Rule 0800: Trading & Delivery	800.11		Rule 3200	R. 3222 Opening new client accounts	(5)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.3	Rule 3200	R. 3222 Opening new client accounts	(5)	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision (Policy 4)	2700II	4	Rule 3200	R. 3223 Updating client accounts	(1)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.5	Rule 3200	R. 3223 Updating client accounts	(2)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.6	Rule 3200	R. 3223 Updating client accounts	(3)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500II	A.6	Rule 3200	R. 3223 Updating client accounts	(4)	
New Provision			Rule 3200	R. 3224 - 3229 Reserved		[New]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision (Policy 4)	2700	Introduction	Rule 3200	R. 3230 Institutional client accounts	(1)	
Rule 2700: Minimum Standards for Institutional Account Opening, Operating & Supervision (Policy 4)	2700II	(2)	Rule 3200	R. 3230 Institutional client accounts	(1)	
New Provision			Rule 3200	R. 3231 - 3239 Reserved		[New]
Rule 1300: Supervision of Accounts	1300.01	(t)	Rule 3200	R. 3240 Order execution-only services	(1)	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member (Policy 9)	3200A	(3)(a), (b) and (c)	Rule 3200	R. 3240 Order execution-only services	(2)(i), (ii) and (iii)	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member (Policy 9)	3200B	(3)(b) and (c)	Rule 3200	R. 3240 Order execution-only services	(2)(i), (ii) and (iii)	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member (Policy 9)	3200A	(3)(d)	Rule 3200	R. 3240 Order execution-only services	(3)	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member (Policy 9)	3200B	(3)(d)	Rule 3200	R. 3240 Order execution-only services	(3)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member (Policy 9)	3200B	(3)(a)	Rule 3200	R. 3240 Order execution-only services	(4)(i)	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member (Policy 9)	3200B	(1)	Rule 3200	R. 3240 Order execution-only services	(4)(ii)	
New Provision			Rule 3200	R. 3241 - 3249 Reserved		[New]
New Provision			Rule 3200	R. 3250 Introduction		[New]
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500V	A.1	Rule 3200	R. 3251 Opening an options account	(1)(i)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500V	A.2	Rule 3200	R. 3251 Opening an options account	(1)(ii)	
Rule 1900: Options	1900.02	(b)	Rule 3200	R. 3251 Opening an options account	(1)(ii)	
Rule 1900: Options	1900.06	(b)	Rule 3200	R. 3251 Opening an options account	(1)(ii)	
Rule 1900: Options	1900.02	(d)(i)	Rule 3200	R. 3251 Opening an options account	(1)(iii)	
Rule 1900: Options	1900.02	(c)	Rule 3200	R. 3251 Opening an options account	(1)(iv)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500V	A.3	Rule 3200	R. 3251 Opening an options account	(1)(iv)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500V	A.4	Rule 3200	R. 3251 Opening an options account	(2)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500V	A.2	Rule 3200	R. 3252 Options Trading Agreement	(1)	
Rule 1900: Options	1900.06	(a)	Rule 3200	R. 3252 Options Trading Agreement	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 1900: Options	1900.06	(a)(ii)	Rule 3200	R. 3252 Options Trading Agreement	(1)(i) and (iii)	
Rule 1900: Options	1900.06	(a)(i)	Rule 3200	R. 3252 Options Trading Agreement	(1)(ii)	
Rule 1900: Options	1900.06	(a)(iii)	Rule 3200	R. 3252 Options Trading Agreement	(1)(iv)	
Rule 1900: Options	1900.06	(a)(viii)	Rule 3200	R. 3252 Options Trading Agreement	(1)(v)	
Rule 1900: Options	1900.06	(a)(iv)	Rule 3200	R. 3252 Options Trading Agreement	(1)(vi)	
Rule 1900: Options	1900.06	(a)(v)	Rule 3200	R. 3252 Options Trading Agreement	(1)(vii)	
Rule 1900: Options	1900.06	(a)(vi)	Rule 3200	R. 3252 Options Trading Agreement	(1)(viii)	
Rule 1900: Options	1900.06	(a)(vii)	Rule 3200	R. 3252 Options Trading Agreement	(1)(ix)	
Rule 1900: Options	1900.06	(a)(ix)	Rule 3200	R. 3252 Options Trading Agreement	(1)(x)	
Rule 1900: Options	1900.06	(b)	Rule 3200	R. 3253 Letter of undertaking	(1) and (2)	[Amended] Clarified to allow letter of undertaking to be obtained from a "regulated entity" [a defined category of dealers] rather than a "dealer".
Rule 1900: Options	1900.02	(d)(i)	Rule 3200	R. 3254 Options Disclosure Statement	(1)(i) and (ii)	
Rule 1900: Options	1900.02	(d)(ii)	Rule 3200	R. 3254 Options Disclosure Statement	(1)(iii)	
Rule 1900: Options	1900.02	(d)(iii)	Rule 3200	R. 3254 Options Disclosure Statement	(1)(iv)	
Rule 1900: Options	1900.02	(e)	Rule 3200	R. 3255 Position and exercise limits	(1) and (2)	
Rule 1900: Options	1900.05	(a) and (b)	Rule 3200			[Repealed] Requirement to file option contract open position reports with IROC has been repealed.
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VI	A.1	Rule 3200	R. 3256 Opening a futures or futures contract options account	(1)(i) and (ii)	
Rule 1800: Commodity Futures Contracts & Options	1800.02	(b)	Rule 3200	R. 3256 Opening a futures or futures contract options account	(1)(ii)	
Rule 1800: Commodity Futures Contracts & Options	1800.02	(d)(i)	Rule 3200	R. 3256 Opening a futures or futures contract options account	(1)(iii)	



Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VI	A.2	Rule 3200	R. 3256 Opening a futures or futures contract options account	(1)(iv)	
Rule 1800: Commodity Futures Contracts & Options	1800.02	(c)	Rule 3200	R. 3256 Opening a futures or futures contract options account	(1)(iv)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VI	A.4	Rule 3200	R. 3256 Opening a futures or futures contract options account	(2)	
Rule 1800: Commodity Futures Contracts & Options	1800.09		Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(b)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(i) and (iii)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(a)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(ii)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(l)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(iv)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(n)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(v)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(c)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(vi) and (xiv)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(f)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(vii) and (viii)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(g)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(ix)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(h)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(x)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(j)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(xi)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(i)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(xii)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(m)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(xiii) and (xv)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(d)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(xvi)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 1800: Commodity Futures Contracts & Options	1800.09	(e)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(xvii)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(o)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(xviii)	
Rule 1800: Commodity Futures Contracts & Options	1800.09	(k)	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(xix)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VI	A.5	Rule 3200	R. 3257 Futures and Futures Contract Options Trading Agreement	(1)(xx)	
Rule 1800: Commodity Futures Contracts & Options	1800.10		Rule 3200	R. 3258 Letters of undertaking	(1)	[Amended] Clarified to allow letter of undertaking to be obtained from a "regulated entity" [a defined category of dealers] rather than a "dealer".
Rule 1800: Commodity Futures Contracts & Options	1800.10	(a) and (b)	Rule 3200	R. 3258 Letters of undertaking	(2)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VI	A.3	Rule 3200	R. 3259 Verification of hedgers	(1)	
Rule 1800: Commodity Futures Contracts & Options	1800.02	(d)(i)	Rule 3200	R. 3260 Risk Disclosure Statement	(1)(i) and (ii)	
Rule 1800: Commodity Futures Contracts & Options	1800.02	(d)(ii)	Rule 3200	R. 3260 Risk Disclosure Statement	(1)(iii)	
Rule 1800: Commodity Futures Contracts & Options	1800.02	(d)(iii)	Rule 3200	R. 3260 Risk Disclosure Statement	(1)(iv)	
Rule 1800: Commodity Futures Contracts & Options	1800.07		Rule 3200			[Repealed] Requirement to file futures contract open position reports with IIROC has been repealed.
New Provision			Rule 3200	R. 3261 - 3269 Reserved		[New]
New Provision			Rule 3200	R. 3270 Introduction		[New]
New Provision			Rule 3200	R. 3271 Prohibition against discretionary trading	(1)	[New] Under current rules the restriction of discretionary trading to discretionary and managed accounts is implied [Rule 1300.3]. A specific restriction is being proposed.

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VII	Introduction	Rule 3200	R. 3272 Accepting a Discretionary Account	(1)(i) and (ii)	
Rule 1300: Supervision of Accounts	1300.05	(b)	Rule 3200	R. 3272 Accepting a Discretionary Account	(1)(iii)	[Amended] Provision has been amended to restrict discretionary accounts to a twelve month period. The revised provision will not provide for any conditions under which the term may be extended.
Rule 1300: Supervision of Accounts	1300.04	(a)	Rule 3200	R. 3272 Accepting a Discretionary Account	(2)(i)	[Amended] Provision clarifies that a Supervisor designated to supervise discretionary accounts must meet the requisite proficiency requirements applicable to Supervisors. Interpretation consistent with current interpretation of 1300.4(a). See notice # 09-0227.
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VII	A.1	Rule 3200	R. 3272 Accepting a Discretionary Account	(2)(i)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VII	Introduction	Rule 3200	R. 3272 Accepting a Discretionary Account	(2)(ii)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VII	A.3	Rule 3200	R. 3272 Accepting a Discretionary Account	(2)(iii)	
Rule 1300: Supervision of Accounts	1300.04	(b)	Rule 3200	R. 3272 Accepting a Discretionary Account	(2)(iv)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VII	A.2	Rule 3200	R. 3272 Accepting a Discretionary Account	(2)(iv)	
Rule 1300: Supervision of Accounts	1300.04	(c)	Rule 3200	R. 3272 Accepting a Discretionary Account	(2)(vi)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VII	A.1 and 2	Rule 3200	R. 3272 Accepting a Discretionary Account	(2)(v)	
Rule 1300: Supervision of Accounts	1300.05	(a)	Rule 3200	R. 3273 Discretionary Account Agreement	(1)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VII	A.2	Rule 3200	R. 3273 Discretionary Account Agreement	(1)(i) and (ii)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VII	A.2	Rule 3200	R. 3273 Discretionary Account Agreement	(1)(ii) and (2)	
Rule 1300: Supervision of Accounts	1300.05	(b)	Rule 3200	R. 3273 Discretionary Account Agreement	(1)(iii)	[Amended] Section has been amended to reflect the 12 month time restriction in 3272(1)(iii)
Rule 1300: Supervision of Accounts	1300.05	(c)	Rule 3200	R. 3273 Discretionary Account Agreement		[Repealed] Section has been repealed to reflect the 12 month time restriction in 3272(1)(iii)
Rule 1300: Supervision of Accounts	1300.05	(d)	Rule 3200	R. 3273 Discretionary Account Agreement	(1)(iv) and (2)	
Rule 1300: Supervision of Accounts	1300.05	(e)	Rule 3200	R. 3273 Discretionary Account Agreement	(1)(v) and (2)	
Rule 1300: Supervision of Accounts	1300.04	(d)	Rule 3200	R. 3274 Persons authorized to effect discretionary trades	(1)(i)	
Rule 1300: Supervision of Accounts	1300.04	(e)	Rule 3200	R. 3274 Persons authorized to effect discretionary trades	(1)(ii)	
Rule 2500: Minimum Standards for Retail Account Supervision (Policy 2)	2500VII	B.2	Rule 3200	R. 3275 Conflict of interest	(1)	[Amended] Section has been amended to prohibit the acquisition of publicly traded securities of the Dealer Member or affiliates - current requirement prohibits the holding of the same.
Rule 1300: Supervision of Accounts	1300.18		Rule 3200	R. 3275 Conflict of interest	(2)	
New Provision			Rule 3200	R. 3276 - 3279 Reserved		[New]
Rule 1300: Supervision of Accounts	1300.03	Definition	Rule 3200	R. 3280 Opening a Managed Account	(1)(i) and (ii)	
Rule 1300: Supervision of Accounts	1300.15	(b)	Rule 3200	R. 3280 Opening a Managed Account	(2)[i]	
Rule 1300: Supervision of Accounts	1300.15	Introduction	Rule 3200	R. 3280 Opening a Managed Account	(2)(ii)	
Rule 1300: Supervision of Accounts	1300.07	(b)	Rule 3200	R. 3280 Opening a Managed Account	(2)(iii)	
Rule 1300: Supervision of Accounts	1300.07	(c)	Rule 3200	R. 3280 Opening a Managed Account	(2)[iv] and (v)	
Rule 1300: Supervision of Accounts	1300.07	(d)	Rule 3200	R. 3280 Opening a Managed Account	(2)(vi)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 1300: Supervision of Accounts	1300.08	(a)	Rule 3200	R. 3281 Managed Account Agreement	(1)(i)	[Amended] Section has been amended to allow that investment objective and risk tolerance information may be incorporated by reference.
Rule 1300: Supervision of Accounts	1300.08	(b)	Rule 3200	R. 3281 Managed Account Agreement	(1)(ii)	
Rule 1300: Supervision of Accounts	1300.08	(c)	Rule 3200	R. 3281 Managed Account Agreement	(2)(i)	
Rule 1300: Supervision of Accounts	1300.08	(d)	Rule 3200	R. 3281 Managed Account Agreement	(2)(ii)	
Rule 1300: Supervision of Accounts	1300.07	(a)(i)	Rule 3200	R. 3282 Persons authorized to deal with managed accounts	(1)(i)	
Rule 1300: Supervision of Accounts	1300.07	(a)(ii)	Rule 3200	R. 3282 Persons authorized to deal with managed accounts	(1)(ii) and (2)	
Rule 1300: Supervision of Accounts	1300.18		Rule 3200	R. 3283 Conflicts of interest	(1)	[Amended] Clarified that conflict of interest requirements also apply to sub-advisors
Rule 1300: Supervision of Accounts	1300.19	(a)	Rule 3200	R. 3283 Conflicts of interest	(2)(i)	[Amended] Clarified that conflict of interest requirements also apply to sub-advisors
Rule 1300: Supervision of Accounts	1300.19	(b)	Rule 3200	R. 3283 Conflicts of interest	(2)(ii)	[Amended] Clarified that conflict of interest requirements also apply to sub-advisors
Rule 1300: Supervision of Accounts	1300.19	(c)	Rule 3200	R. 3283 Conflicts of interest	(2)(iii)	[Amended] Clarified that conflict of interest requirements also apply to sub-advisors
Rule 1300: Supervision of Accounts	1300.19	(d)	Rule 3200	R. 3283 Conflicts of interest	(2)(iv)	[Amended] Clarified that conflict of interest requirements also apply to sub-advisors
Rule 1300: Supervision of Accounts	1300.19	(e)	Rule 3200			[Repealed] Section allowing a "responsible person" to borrow money from a managed account will be repealed.
Rule 1300: Supervision of Accounts	1300.20		Rule 3200	R. 3284 Application of client priority rule	(1)	[Amended] Clarification of application of client priority rule as it relates to partners, directors and employees of Dealer Members who participate in a managed account program.
Rule 1300: Supervision of Accounts	1300.16		Rule 3200	R. 3285 Fees and remuneration	(1)(i) and (ii)	

**SROs, Marketplaces and Clearing Agencies**

<b>Current rule number and title</b>	<b>Sub-section</b>		<b>New rule number</b>	<b>New section, title and description</b>	<b>Sub-Section</b>	<b>Comments</b>
Rule 1300: Supervision of Accounts	1300.21		Rule 3200	R. 3285 Fees and remuneration	(1)(ii)	
Rule 1300: Supervision of Accounts	1300.17		Rule 3200	R. 3285 Fees and remuneration	(2)	
New Provision			Rule 3200	R. 3286 - 3299 Reserved		[New]