

# IIROC NOTICE

## **Rules Notice Notice of Approval**

UMIR and Dealer Member Rules

*Please distribute internally to:*

Institutional  
Legal and Compliance  
Senior Management  
Trading Desk  
Retail

*Contact:*

Kevin McCoy  
Director, Market Regulation Policy  
Telephone: 416.943.4659  
Fax: 416.646.7265  
e-mail: [kmccoy@iiroc.ca](mailto:kmccoy@iiroc.ca)

Jamie Bulnes,  
Director, Member Regulation Policy  
Telephone: 416.943.6928  
Fax: 416.943.6760  
e-mail: [jbulnes@iiroc.ca](mailto:jbulnes@iiroc.ca)

**14-0263**

**November 13, 2014**

## **Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces**

### **Executive Summary**

On November 13, 2014, the applicable securities regulatory authorities approved amendments to UMIR and the Dealer Member Rules (the “Amendments”) respecting requirements for Dealer Members that provide Order Execution Services (“OES”).<sup>1</sup>

---

<sup>1</sup> Reference should be made to [IIROC Notice 14-0101](#) - Rules Notice – Request for Comments – UMIR and Dealer Member Rules – *Re-Publication of Proposed Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces* (April 24, 2014) and [IIROC Notice 14-0102](#) - Rules Notice – Request for Comments – UMIR and Dealer Member Rules – *Re-Publication of Proposed Guidance Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces* (April 24, 2014) which requested public comment on the proposed amendments to UMIR and the Dealer Member Rules (“Proposed Amendments”) and related proposed guidance (“Proposed Guidance”). See Appendix C to this notice for the summary of comments received on the Proposed Amendments and the responses of IIROC. No comments were received in respect to the Proposed Guidance.



The Amendments address the policy objective of achieving consistency across all forms of third-party electronic access to marketplaces by ensuring that similar activity that occurs through different forms of third-party electronic access is subject to the same degree of supervision and regulatory oversight.

The Amendments include:

- changes to the Dealer Member Rules (“DMR”) respecting supervision requirements relating to Order Execution Service account activity and the entry of orders to a marketplace (“DMR Amendments”) that introduce:
  - a requirement that a Dealer Member providing OES (“OES Dealer”) include a client identifier (“ID”) on each order entered on a marketplace for which the Corporation is the regulation services provider (“marketplaces”) for or on behalf of any client:
    - whose trading activity on marketplaces exceeds a daily average of 500 orders per trading day in any calendar month,
    - that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or
    - that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser;
  - a requirement that the OES Dealer provide to IIROC the identification of the client associated with such client ID; and
  - supervision requirements for OES Dealers that require that the added risks associated with the lack of intermediation by staff of the OES Dealer are addressed in their policies and procedures and systems of supervision and control;
- a definition in the DMR of “Manipulative and Deceptive Activities”; and
- amendments to UMIR (“UMIR Amendments”) that would require a Participant to include on orders sent to marketplaces the client ID, where applicable, on orders originating from an OES Dealer.

The Amendments build on current supervision requirements and the framework to regulate various forms of third-party electronic access to marketplaces and complement the provisions of National Instrument 23-103 – *Electronic Trading and Direct Electronic Access* that deal with



direct electronic access to marketplaces<sup>2</sup> and the IIROC rules respecting third-party electronic access to marketplaces<sup>3</sup> (collectively, the “ETR/DEA Rules”).

OES Dealers will be impacted by the Amendments as they will be required to develop processes to:

- identify on each order sent to a marketplace a client whose trading activity on marketplaces exceeds a daily average of 500 orders per trading day in any calendar month;
- identify on each order sent to a marketplace a client that trades on marketplaces and:
  - is not an individual and is registered as a dealer or adviser under applicable securities legislation, or
  - is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser; and
- provide IIROC with the client ID and the identity of the client associated with each client ID for each identified client.

IIROC expects that the technological implications of the Amendments on Dealer Members are primarily limited to any development required by OES Dealers to establish the above processes. Participants that execute for OES Dealers would be required to make any necessary changes to their systems to accommodate the use of client IDs on orders originating from an OES Dealer.

The Amendments are effective June 1, 2015.

---

<sup>2</sup> See (2013) 36 OSCB 6771.

<sup>3</sup> See [IIROC Notice 13-0184](#) – Rules Notice – Notice of Approval – UMIR and Dealer Member Rules – Provisions Respecting Third-Party Electronic Access to Marketplaces (July 4, 2013).



## Rules Notice - Table of Contents

1.	Background to the Amendments.....	5
1.1	<i>Earlier Proposals to Regulate Electronic Access to Marketplaces .....</i>	<i>5</i>
1.2	<i>Final Provisions Respecting Third-Party Electronic Access to Marketplaces .....</i>	<i>6</i>
1.3	<i>Current DMR Retail Customer Supervision Requirements Respecting Market Integrity .....</i>	<i>6</i>
1.4	<i>Current DMR Institutional Customer Supervision Requirements Respecting Market Integrity .....</i>	<i>6</i>
1.5	<i>UMIR Supervision Requirements Respecting Order Entry with Limited Direct Order Handling by Staff of the Participant .....</i>	<i>7</i>
2.	Discussion of the Amendments .....	7
2.1	<i>Active Client Measurement.....</i>	<i>8</i>
2.2	<i>Identification of Clients that are Registered as a Dealer or Adviser Under Applicable Securities Legislation and are not Individuals and are in the Business of Trading Securities in a Foreign Jurisdiction in a Manner Analogous to a Dealer or Adviser .....</i>	<i>8</i>
2.3	<i>Limiting the Requirement to Provide Client Identifiers to Activity that Occurs on Marketplaces for which IIROC is the Regulation Services Provider .....</i>	<i>9</i>
2.4	<i>Definition of Manipulative and Deceptive Activities .....</i>	<i>9</i>
2.5	<i>Supervision Requirements Specific to OES.....</i>	<i>10</i>
3.	Changes from the Proposed Amendments and the Proposed Guidance.....	10
4.	Summary of the Impact of the Amendments .....	11
5.	Implementation .....	11
	Appendix A – Text of DMR Amendments .....	12
	Appendix B – Text of UMIR Amendments .....	15
	Appendix C – Comments Received in Response to Rules Notice 14-0101 – Rules Notice – Request for Comments – UMIR and Dealer Member Rules – Re-Publication of Proposed Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces (April 24, 2014).....	16
	Appendix D – Text of the Dealer Member Rules to Reflect Amendments Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces	23
	Appendix E – Text of UMIR to Reflect Amendments Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces .....	27



## **1. Background to the Amendments**

### **1.1 Earlier Proposals to Regulate Electronic Access to Marketplaces**

In October 2012, IIROC published proposed provisions (“Prior Proposed Provisions”) respecting third-party electronic access to marketplaces.<sup>4</sup> The Prior Proposed Provisions recognized that OES was a component of the “closed-system” for the entry of orders to marketplaces. The only means to access a marketplace for the purpose of trading a listed or quoted security is as an Access Person, as a subscriber to an ATS or by or through a Participant as a member of an Exchange or subscriber to an ATS. Unless a client order is directly handled by staff at a Dealer Member, the only access that can be provided to a client falls under one of three options:

- OES,
- direct electronic access (“DEA”), or
- routing arrangement.

The Prior Proposed Provisions recognized that the use of OES may present risks similar to other methods of third-party electronic access. IIROC was of the view that OES was originally intended to provide a non-advised platform for electronic access to a marketplace to Retail Customers and it was inappropriate for OES Dealers to carry accounts of Institutional Customers. Thus, the Prior Proposed Provisions proposed to prohibit accounts for Institutional Customers from being carried by OES Dealers. The policy rationale for this prohibition was to ensure that all third-party electronic access to a marketplace was subject to a consistent level of oversight and compliance and to eliminate any potential regulatory arbitrage between platforms.

The Prior Proposed Provisions further recognized that an OES Dealer may determine that in limited circumstances knowledgeable and experienced Retail Customers, such as ex-professional traders, may be more appropriately serviced through DEA rather than OES.

The Prior Proposed Provisions also prohibited an OES client from:

- generating orders to the Dealer Member that exceed the threshold on the number of orders as set by IIROC from time to time, or
- using its own automated order system to transmit or generate orders for transmission to an OES Dealer for execution on a marketplace.

---

<sup>4</sup> See [IIROC Notice 12-0315](#) – Rules Notice – Request for Comments – UMIR and Dealer Member Rules – *Proposed Provisions Respecting Third-Party Electronic Access to Marketplaces* (October 25, 2012).



## **1.2 Final Provisions Respecting Third-Party Electronic Access to Marketplaces**

Following a review of comments received on the Prior Proposed Provisions, and further industry consultation, IIROC did not proceed with the prohibition against OES Institutional Customer accounts. On July 4, 2013 IIROC published final provisions respecting third-party electronic access to marketplaces.<sup>5</sup> The provisions respecting third-party electronic access to marketplaces, including certain provisions related to OES accounts, became effective on March 1, 2014.

## **1.3 Current DMR Retail Customer Supervision Requirements Respecting Market Integrity**

DMR 38.1 and DMR 2500 require each Dealer Member to implement systems of supervision and control and establish minimum standards for Retail Customer account supervision. Under these rules, a Dealer Member is required to establish and maintain policies and procedures designed to supervise account activity for compliance with the DMR and all other laws, regulations and policies applicable to the Dealer Member's securities business. The policies and procedures employed by the Dealer Member to supervise account activity must provide reasonable assurance that its obligations are being met both to its clients and to the market generally, including the prevention of market abuses.

## **1.4 Current DMR Institutional Customer Supervision Requirements Respecting Market Integrity**

DMR 38.1 and DMR 2700 set out the minimum standards for the supervision of account activity for Institutional Customers. A Dealer Member is not precluded from imposing higher standards when warranted. As with the requirements under DMR 2500, the Dealer Member's policies and procedures and the design of the systems of supervision and control must take into consideration all factors necessary to ensure the adequacy of the supervision. The requirements set out in DMR 2700 include supervisory elements that are applicable to both the interests of the client and the interests of the market generally.

The supervisory procedures and compliance monitoring regime should be reasonably designed to detect account activity that may violate applicable securities legislation, requirements of any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place. The supervisory policies and procedures and the systems of supervision and control must be

---

<sup>5</sup> See [IIROC Notice 13-0184](#) - Rules Notice – Notice of Approval – UMIR and Dealer Member Rules – Provisions Respecting Third-Party Electronic Access to Marketplaces (July 4, 2013).



reasonably designed to detect account activity which may be harmful to market integrity, including manipulative and deceptive activities.

### **1.5 UMIR Supervision Requirements Respecting Order Entry with Limited Direct Order Handling by Staff of the Participant**

Part 1 of UMIR Policy 7.1 provides that a Participant has an obligation to supervise orders which are entered on a marketplace:

- by a trader employed by the Participant;
- by an employee of the Participant through an order routing system;
- directly by a client and routed to a marketplace through the trading system of the Participant; or
- by any other means.

The manner through which an order is entered on a marketplace does not relieve a Participant of responsibility for the supervision of such orders. The supervisory policies and procedures maintained by a Participant required under UMIR 7.1 must be designed to include all sources of order entry including orders that originate from retail full service brokerage and OES clients.

In meeting its supervisory obligations, a Participant is expected to act as “gatekeeper” to prevent and detect violations of applicable Requirements.<sup>6</sup> A Participant’s supervision policies and procedures should adequately address the additional risk exposure which the Participant may have for orders that are not directly handled by staff of the Participant, such as OES, DEA or through a routing arrangement.

## **2. Discussion of the Amendments**

The following is a summary of the principal components of the Amendments which are set out in this notice at Appendix A with respect to DMR Amendments and Appendix B with respect to UMIR Amendments.

---

<sup>6</sup> “Requirements” means, collectively:

- UMIR;
- the Policies;
- the Trading Rules;
- the Marketplace Rules;
- any direction, order or decision of the Market Regulator or a Market Integrity Official; and
- securities legislation,

as amended, supplemented and in effect from time to time.



## **2.1 Active Client Measurement**

UMIR requires that each client, investment dealer or foreign dealer equivalent accessing a marketplace through DEA or through a routing arrangement is assigned a client ID and the identity of the client associated with each client ID be provided to IIROC. This information assists IIROC with monitoring and surveillance activities. IIROC believes that clients that trade actively through OES may pose similar risks to market integrity as clients that trade through DEA or through a routing arrangement. Inconsistent levels of transparency of client identity to IIROC can result in an incomplete regulatory framework by enabling an active OES client to avoid the amount of regulatory oversight that would otherwise be applied to the client if trading through DEA or a routing arrangement.

The Amendments introduce a threshold that determines whether an OES client is considered “active” for the purpose of client ID. In the Amendments, an OES client is considered “active” if its account activity on marketplaces exceeds an average of 500 orders per trading day in any calendar month.

The Amendments require that client IDs be assigned to any OES client that meets the threshold. IIROC will adopt the use of client account numbers for the purpose of client ID’s. Client account numbers would be required to be included, in a manner acceptable to IIROC, on each order entered by or on behalf of an “active” client on a marketplace.

## **2.2 Identification of Clients that are Registered as a Dealer or Adviser Under Applicable Securities Legislation and are not Individuals and are in the Business of Trading Securities in a Foreign Jurisdiction in a Manner Analogous to a Dealer or Adviser**

In addition to those clients described in section 2.1 above, the Amendments also require that client IDs be assigned to any OES client that is:

- registered as a dealer or adviser under applicable securities legislation, or
- not an individual and are in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.

The requirement to identify clients who are registered as a dealer or adviser under applicable securities legislation as well as “foreign equivalents” is consistent with the application of the ETR/DEA Rules and places such clients on a level playing field with similar clients who access the marketplace through other forms of third-party electronic access. As with “active” clients, IIROC will adopt the use of client account numbers for the purpose of client ID’s.





### **2.3 Limiting the Requirement to Provide Client Identifiers to Activity that Occurs on Marketplaces for which IIROC is the Regulation Services Provider**

The Amendments only require the use of a client IDs on orders sent to marketplaces that have retained IIROC as their regulation services provider. This is consistent with the order information currently received by IIROC for clients accessing the marketplace through DEA or Routing Arrangements.

### **2.4 Definition of Manipulative and Deceptive Activities**

The Amendments introduce a definition of Manipulative and Deceptive Activities to the Dealer Member Rules. This definition:

- clarifies a Dealer Member’s supervision requirements for Retail Customer account activity under DMR 2500;
- clarifies a Dealer Member’s supervision requirements for Institutional Customer account activity under DMR 2700; and
- conforms with UMIR 2.2 (2)<sup>7</sup> respecting manipulative and deceptive activities.

DMR 2500 and DMR 2700 require that a Dealer Member’s supervisory policies and procedures are reasonably designed to detect account activity that is or may be a violation of requirements applicable to the Dealer Member’s business. Currently, both DMR 2500 and DMR 2700 require that a Dealer Member’s supervision of account activity include a review for activity that may be manipulative or deceptive. DMR 2500 includes “*manipulative or deceptive trading*” in the requirements respecting daily reviews. DMR 2700 requires as part of the requirements relating to the supervision of accounts that a Dealer Member’s policies and procedures are reasonably designed to detect account activity that is or may be a violation of applicable securities legislation, requirements of any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place. “*Manipulative or deceptive methods of trading*” is specifically included in these requirements. The definition in the DMR Amendments clarifies that manipulate and deceptive activities are not limited only to trades, but extend to the entry of orders to a marketplace.

---

<sup>7</sup> UMIR 2.2 (2) provides:

A Participant or Access Person shall not, directly or indirectly, enter an order or execute a trade on a marketplace if the Participant or Access Person knows or ought reasonably to know that the entry of the order or the execution of the trade will create or could reasonably be expected to create:

- (a) a false or misleading appearance of trading activity in or interest in the purchase or sale of the security; or
- (b) an artificial ask price, bid price, or sale price for the security or a related security.



The DMR Amendments include wording changes in DMR 2500 and 2700 to align the rules to the new definition in the DMR of “Manipulative and Deceptive Activities”.

### **2.5 Supervision Requirements Specific to OES**

IIROC believes that the entry to a marketplace of orders that are not directly handled by staff of the Dealer Member may introduce additional risk to the integrity of the market. Order entry through OES eliminates an opportunity for staff of a Dealer Member to identify and detect unusual orders or trading patterns prior to an order being entered on a marketplace. A Dealer Member must consider this heightened risk when developing its policies and procedures respecting the supervision of account activity and, in particular, activity that is or may be considered Manipulative or Deceptive Activity.

Currently, an OES Dealer that is also a Participant is required to consider the heightened risk exposure for orders that are not directly handled by staff of the Participant. UMIR Policy 7.1 Part 1 states:

“In performing the trading supervision obligations, the Participant will act as a “gatekeeper” to help prevent and detect violation of applicable Requirements. When an order is entered on a marketplace by direct electronic access, under a routing arrangement or through an order execution service, the Participant retains responsibility for that order and the supervision policies and procedures should adequately address the additional risk exposure which the Participant may have for orders that are not directly handled by staff of the Participant...”

The DMR Amendments introduce a requirement for an OES Dealer to consider the heightened risks associated with the entry of orders that are not directly handled by staff of the Dealer Member. Identifying and addressing these risks in its policies and procedures and its systems of supervision and control is consistent with the supervision requirements applicable to other forms of third-party electronic access.

### **3. Changes from the Proposed Amendments and the Proposed Guidance**

The Amendments as approved only vary slightly from the re-publication of the Proposed Amendments. Wording changes were made to subsections A.5(b), A.5(c), B.6(b) and B.6(c) of DMR 3200 for the purpose of drafting consistency. These changes were not material and do not affect the application or effect of the rule.

No changes were made to the re-publication of the Proposed Guidance.



#### **4. Summary of the Impact of the Amendments**

The technological implications of the Amendments on OES Dealers are primarily limited to any development required to include client IDs on all orders for certain clients that trade on marketplaces through OES platforms. Participants that execute for OES Dealers would also be required to make any necessary changes to their systems to accommodate the use of client IDs on orders originating from an OES Dealer.

IIROC does not expect the supervision requirements in the DMR Amendments to have significant new implications as Dealer Members are currently required to have reasonable policies, procedures and systems of supervision and control in place that are reasonably designed to achieve compliance with the requirements applicable to the Dealer Member's business. The Amendments build on current supervision requirements and specifically require an OES Dealer, when developing its policies, procedures and systems of supervision and control, to consider the increased risk that arises when the methods used to enter orders limit the amount of "gatekeeping" that can be done directly by staff of the Dealer Member.

#### **5. Implementation**

The Amendments have been approved by the applicable securities regulatory authorities as of the date of this Rules Notice. The Amendments become effective on June 1, 2015.



## Appendix A – Text of DMR Amendments

The Dealer Member Rules are hereby amended as follows:

1. Dealer Member Rule 1 is amended by:
  - (a) inserting the following definition:

**“Manipulative and Deceptive Activities”** means the entry of an order or the execution of a trade that would create or could reasonably be expected to create:

    - a) a false or misleading appearance of trading activity in or interest in the purchase or sale of a security; or
    - b) an artificial ask price, bid price or sale price for the security or a related security.
2. Dealer Member Rule 2500 is amended by:
  - (a) In section IV subsection A., replacing “...deceptive trading” with “...Deceptive Activities”.
3. Dealer Member Rule 2700 is amended by:
  - (a) In section IV subsection B., replacing “... deceptive methods of trading” with “... Deceptive Activities”.
4. Dealer Member Rule 3200 is amended by:
  - (a) Adding a new subsection (c) to section A. 4 as follows:

“(c) The Dealer Member or separate business unit of the Dealer Member must ensure that its written policies and procedures and systems of supervision and control to review client trading takes into account the risks associated with the method of order entry and the absence of intermediation by staff of the Dealer Member.”
  - (b) In section A.4, renumbering subsections (c) and (d) respectively, as (d) and (e).



(c) Adding a new section A.5 as follows:

“A. 5 Identification of Certain Clients

(a) The Dealer Member must ensure that a client identifier is assigned to each client that trades on a Marketplace for which the Corporation is the regulation services provider:

(a) whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,

(b) that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or

(c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.

(b) The Dealer Member must provide each client identifier assigned pursuant to Rule A.5(a) and the name of the corresponding client to the Corporation.

(c) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule A.5(a) contain the client identifier assigned to that client.”

(d) Renumbering section A.5 as A.6

(e) Adding a new subsection (c) to section B.5 as follows:

“(c) The Dealer Member must ensure that its written policies and procedures and systems of supervision and control to review trading by order-execution only service clients takes into account the risks associated with the method of order entry and the absence of intermediation by staff of the Dealer Member.”



(f) In section B.5, renumbering subsections (c) and (d) respectively, as (d) and (e).

(g) Adding a new section B.6 as follows:

“B.6 Identification of Certain Clients

(a) The Dealer Member must ensure that a client identifier is assigned to each order-execution only service client that trades on a Marketplace for which the Corporation is the regulation services provider:

(a) whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,

(b) that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or

(c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.

(b) The Dealer Member must provide each client identifier assigned pursuant to Rule B.6(a) and the name of the corresponding client to the Corporation.

(c) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule B.6(a) contain the client identifier assigned to that client.”

(h) Renumbering section B.6 as B.7.



## **Appendix B – Text of UMIR Amendments**

The Universal Market Integrity Rules are hereby amended as follows:

1. Clause (a) of subsection (1) of Rule 6.2 is amended by:
  - (a) inserting the following subclause:
    - (iv) the client for or on behalf of whom the order is entered where the order originates from a Dealer Member that provides order execution services and the order requires a client identifier pursuant to Dealer Member Rule 3200,
  - (b) renumbering subclauses (iv) and (v), respectively, as (v) and (vi).



**Appendix C – Comments Received in Response to Rules Notice 14-0101 – Rules Notice – Request for Comments – UMIR and Dealer Member Rules – Re-Publication of Proposed Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces (April 24, 2014)**

On April 24, 2014, IIROC issued Notice 14-0101 requesting comments on the Re-publication of Proposed Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces and Notice 14-0102 on the Re-publication of Proposed Guidance respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces. IIROC received comments on these Notices from:

Investment Industry Association of Canada (“IIAC”)

TD Securities (“TD”)

A copy of the comment letters received in response to the Proposed Amendments and the Proposed Guidance is publically available on the website of IIROC ([www.iiroc.ca](http://www.iiroc.ca) under the heading “Notices”, sub-heading “Marketplace Rules” and further sub-heading “Request for Comments”). The following table presents a summary of the comments received on the Proposed Amendments and the Proposed Guidance together with the responses of IIROC to those comments. Column 1 of the table highlights the revisions to the re-publication of Proposed Amendments made on the approval of the Amendments.

Text of Final Rules (Revisions to the Proposed Rules Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
<b>RULE 1</b> <b>INTERPRETATION AND EFFECT</b> 1.1. <b>“Manipulative and Deceptive Activities”</b> means the entry of an order or		

**IIROC Notice 14-0263 – Rules Notice – Notice of Approval – UMIR and Dealer Member Rules – Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces**





Text of Final Rules (Revisions to the Proposed Rules Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
<p>the execution of a trade that would create or could reasonably be expected to create:</p> <ul style="list-style-type: none"> <li>a) a false or misleading appearance of trading activity in or interest in the purchase or sale of a security; or</li> <li>b) an artificial ask price, bid price or sale price for the security or a related security.</li> </ul>		
<p><b>RULE 2500</b>  <b>MINIMUM STANDARDS FOR RETAIL CUSTOMER ACCOUNT SUPERVISION</b></p> <p>IV A. First-Tier Daily Reviews</p> <p>A first-tier review examines the previous day’s trading using means described in the Dealer Member’s procedures to attempt to detect the following:</p> <ul style="list-style-type: none"> <li>• Unsuitable trading;</li> <li>• Undue concentration of securities in a single account or across accounts;</li> <li>• Excessive trade activity;</li> <li>• Trading in restricted securities;</li> <li>• Conflict of interest between Registered Representatives and client trading activity;</li> <li>• Excessive trade transfers, trade cancellations etc. indicating possible unauthorized trading;</li> <li>• Inappropriate / high risk trading strategies;</li> <li>• Quality downgrading of client holdings;</li> <li>• Excessive / improper crosses of securities between clients;</li> <li>• Improper employee trading;</li> <li>• Front running;</li> <li>• Account number changes;</li> <li>• Late payment;</li> <li>• Outstanding margin calls;</li> </ul>		



Text of Final Rules (Revisions to the Proposed Rules Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
<ul style="list-style-type: none"> <li>• Violation of any internal trading restrictions;</li> <li>• Undisclosed short sales;</li> <li>• Manipulative and Deceptive Activities;</li> <li>• Insider trading</li> </ul>		
<p><b>RULE 2700</b>  <b>MINIMUM STANDARDS FOR INSTITUTIONAL CUSTOMER ACCOUNT OPENING, OPERATION AND SUPERVISION</b></p> <p>IV B. Account Activity Detection</p> <p>The supervisory procedures and the compliance monitoring procedures should be reasonably designed to detect account activity that is or may be a violation of applicable securities legislation, requirements or any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place, and would include the following:</p> <ol style="list-style-type: none"> <li>1. Manipulative and Deceptive Activities;</li> <li>2. Trading in restricted list securities;</li> <li>3. Employee or proprietary account front running;</li> <li>4. Exceeding position or exercise limits on derivative products; and</li> <li>5. Transactions raising a suspicion of money laundering or terrorist financing activity</li> </ol>		
<p><b>RULE 3200</b>  <b>MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL UNDER 1300.1(T) TO OFFER AN ORDER-EXECUTION ONLY SERVICE</b></p> <p>A. 4 Supervision</p> <p>(a) The Dealer Member or separate business unit of the Dealer Member must</p>		



Text of Final Rules (Revisions to the Proposed Rules Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
<p>have written procedures for the supervision of trading reasonably designed to ensure that customers are not provided with recommendations as a result of the customer having an account with the separate business unit of the Dealer Member and with another separate business unit of the Dealer Member or with the Dealer Member itself.</p> <p>(b) The Dealer Member or separate business unit of the Dealer Member must have written procedures and systems in place to review customer trading and accounts for those concerns listed in Rule 2500 other than those related to solely to suitability.</p> <p>(c) The Dealer Member or separate business unit of the Dealer Member must ensure that its written policies and procedures and systems of supervision and control to review client trading takes into account the risks associated with the method of order entry and the absence of intermediation by staff of the Dealer Member.</p> <p>(d) The Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of supervisory reviews as required in rule 2500.</p> <p>(e) The Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this rule.</p>		
<p>A. 5 Identification of Certain Clients</p> <p>(a) The Dealer Member must ensure that a client identifier is assigned to each client that trades on a Marketplace for which the Corporation is the regulation services provider:</p> <p>(a) whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,</p>	<p><b>IIAC</b> – Comments that Dealer Members should have the optional ability to remove the status of “active” client for a previously identified client where the threshold requiring the use of a client ID has not been met over a twelve month period.</p>	<p>Once a client account has demonstrated “active” behavior it is reasonable to expect that the behaviour may be ongoing, or has a probability of occurring at some time in the future. In addition, once an “active” client has been identified, the Dealer Member would not incur any additional burden by retaining that designation for the client.</p>



Text of Final Rules (Revisions to the Proposed Rules Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
<p>(b) that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or</p> <p>(c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.</p> <p>(b) The <u>Dealer Member must provide each</u> client identifier <u>assigned pursuant to Rule A.5(a)</u> and the name of the corresponding client <del>must be provided</del> to the Corporation.</p> <p>(c) <u>The Dealer Member must ensure that</u> Each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule A.5(a) <del>must</del> contain the client identifier assigned to that client.</p> <p>A. 6 Systems and Books and Records</p> <p>...</p>	<p><b>IIAC</b> – Seeks clarification on whether order calculation may include option orders and US orders if operationally impractical to identify marketplace orders only.</p>	<p>The requirement to identify “active” clients is based solely on orders sent to marketplaces that retain IIROC as the regulation services provider. Accordingly, the Dealer Member should consider only those marketplaces for the purposes of determining whether a client has reached the “active” client threshold.</p> <p>Wording changes were made for drafting consistency purposes. These changes do not affect the application or effect of the rule.</p>
<p>B. 5 Supervision</p> <p>(a) The Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that orders are marked accurately as recommended or non-recommended.</p> <p>(b) The Dealer Member must have written procedures for the selection of accounts to be subject to a monthly review at least equal to those currently required by Rule 2500. The selection must not have regard to whether the trades in the account are marked as recommended or non-recommended. The account review must include a determination whether the overall composition of the customer’s portfolio no longer conforms to the documented objectives and risk tolerances of the customer as a result of non-recommended trades and, when it does not, the procedures must specify the steps to be taken for dealing with the disparity.</p> <p>(c) The Dealer Member must ensure that its written policies and procedures and systems of supervision and control to review trading by order-execution only service clients takes into account the risks associated with the method of order entry and the absence of intermediation by staff of</p>		



Text of Final Rules (Revisions to the Proposed Rules Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
<p>the Dealer Member.</p> <p>(d) The Dealer Member must maintain an audit trail of supervisory reviews as required in rule 2500.</p> <p>The Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this rule.</p>		
<p>B.6 Identification of Certain Clients</p> <p>(a) The Dealer Member must ensure that a client identifier is assigned to each order execution-only service client that trades on a Marketplace for which the Corporation is the regulation services provider:</p> <ul style="list-style-type: none"> <li>(a) whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,</li> <li>(b) that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or</li> <li>(c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.</li> </ul> <p>(b) The <u>Dealer Member must provide each</u> client identifier <u>assigned pursuant to Rule B.6(a)</u> and the name of the corresponding client <del>must be provided</del> to the Corporation.</p> <p>(c) <u>The Dealer Member must ensure that</u> <del>E</del>each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule B.6(a) <del>must</del> contain the client identifier assigned to that client.</p> <p>B.7 SYSTEMS AND BOOKS AND RECORDS</p> <p>...</p>		<p>Wording changes were made for drafting consistency purposes. These changes do not affect the application or effect of the rule.</p>
<p><b>6.2 Designations and Identifiers</b></p> <p>(1) Each order entered on a marketplace shall contain:</p> <ul style="list-style-type: none"> <li>(a) the identifier of:</li> </ul>		



Text of Final Rules (Revisions to the Proposed Rules Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
<p>(i) the Participant or Access Person entering the order as assigned to the Participant or Access Person in accordance with Rule 10.15,</p> <p>(ii) the marketplace on which the order is entered as assigned to the marketplace in accordance with Rule 10.15,</p> <p>(iii) the Participant for or on behalf of whom the order is entered, if the order is a jitney order,</p> <p>(iv) the client for or on behalf of whom the order is entered where the order originates from a Dealer Member that provides order execution services and the order requires a client identifier pursuant to Dealer Member Rule 3200,</p> <p>(v) the client for or on behalf of whom the order is entered under direct electronic access, and</p> <p>(vi) the investment dealer or foreign dealer equivalent for or on behalf of whom the order is entered under a routing arrangement; and</p> <p>...</p>		
<p><b>Other Comments</b></p>	<p><b>TD</b> – Fully support the re-publication of the Proposed Amendments.</p>	<p>IIROC acknowledges the comment.</p>



## Appendix D – Text of the Dealer Member Rules to Reflect Amendments Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces

Text of Provisions Following Adoption of the DMR Amendments	Text of Current Provisions Marked to Reflect Adoption of the DMR Amendments
<p><b>RULE 1</b> <b>INTERPRETATION AND EFFECT</b></p> <p>1.1.</p> <p><b>“Manipulative and Deceptive Activities”</b> means the entry of an order or the execution of a trade that would create or could reasonably be expected to create:</p> <ul style="list-style-type: none"> <li>c) a false or misleading appearance of trading activity in or interest in the purchase or sale of a security; or</li> <li>d) an artificial ask price, bid price or sale price for the security or a related security.</li> </ul>	<p><b>RULE 1</b> <b>INTERPRETATION AND EFFECT</b></p> <p><b>1.1.</b></p> <p><b>“Manipulative and Deceptive Activities”</b> means the entry of an order or the execution of a trade that would create or could reasonably be expected to create:</p> <ul style="list-style-type: none"> <li>a) <u>a false or misleading appearance of trading activity in or interest in the purchase or sale of a security; or</u></li> <li>b) <u>an artificial ask price, bid price or sale price for the security or a related security.</u></li> </ul>
<p><b>RULE 2500</b> <b>MINIMUM STANDARDS FOR RETAIL CUSTOMER ACCOUNT SUPERVISION</b></p> <p>IV A. First-Tier Daily Reviews</p> <p>A first-tier review examines the previous day’s trading using means described in the Dealer Member’s procedures to attempt to detect the following:</p> <ul style="list-style-type: none"> <li>• Unsuitable trading;</li> <li>• Undue concentration of securities in a single account or across accounts;</li> <li>• Excessive trade activity;</li> <li>• Trading in restricted securities;</li> <li>• Conflict of interest between Registered Representatives and client trading activity;</li> <li>• Excessive trade transfers, trade cancellations etc. indicating possible unauthorized trading;</li> <li>• Inappropriate / high risk trading strategies;</li> <li>• Quality downgrading of client holdings;</li> <li>• Excessive / improper crosses of securities between clients;</li> <li>• Improper employee trading;</li> <li>• Front running;</li> <li>• Account number changes;</li> <li>• Late payment;</li> <li>• Outstanding margin calls;</li> <li>• Violation of any internal trading restrictions;</li> <li>• Undisclosed short sales;</li> </ul>	<p><b>RULE 2500</b> <b>MINIMUM STANDARDS FOR RETAIL CUSTOMER ACCOUNT SUPERVISION</b></p> <p>IV A. First-Tier Daily Reviews</p> <p>A first-tier review examines the previous day’s trading using means described in the Dealer Member’s procedures to attempt to detect the following:</p> <ul style="list-style-type: none"> <li>• Unsuitable trading;</li> <li>• Undue concentration of securities in a single account or across accounts;</li> <li>• Excessive trade activity;</li> <li>• Trading in restricted securities;</li> <li>• Conflict of interest between Registered Representatives and client trading activity;</li> <li>• Excessive trade transfers, trade cancellations etc. indicating possible unauthorized trading;</li> <li>• Inappropriate / high risk trading strategies;</li> <li>• Quality downgrading of client holdings;</li> <li>• Excessive / improper crosses of securities between clients;</li> <li>• Improper employee trading;</li> <li>• Front running;</li> <li>• Account number changes;</li> <li>• Late payment;</li> <li>• Outstanding margin calls;</li> <li>• Violation of any internal trading restrictions;</li> <li>• Undisclosed short sales;</li> </ul>



Text of Provisions Following Adoption of the DMR Amendments	Text of Current Provisions Marked to Reflect Adoption of the DMR Amendments
<ul style="list-style-type: none"> <li>Manipulative and Deceptive Activities;</li> <li>Insider trading</li> </ul>	<ul style="list-style-type: none"> <li>Manipulative and <del>deceptive trading</del> <u>Deceptive Activities</u>;</li> <li>Insider trading</li> </ul>
<p><b>RULE 2700</b>  <b>MINIMUM STANDARDS FOR INSTITUTIONAL CUSTOMER ACCOUNT OPENING, OPERATION AND SUPERVISION</b>            IV B. Account Activity Detection</p> <p>The supervisory procedures and the compliance monitoring procedures should be reasonably designed to detect account activity that is or may be a violation of applicable securities legislation, requirements or any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place, and would include the following:</p> <ol style="list-style-type: none"> <li>Manipulative and Deceptive Activities;</li> <li>Trading in restricted list securities;</li> <li>Employee or proprietary account front running;</li> <li>Exceeding position or exercise limits on derivative products; and</li> <li>Transactions raising a suspicion of money laundering or terrorist financing activity</li> </ol>	<p><b>RULE 2700</b>  <b>MINIMUM STANDARDS FOR INSTITUTIONAL CUSTOMER ACCOUNT OPENING, OPERATION AND SUPERVISION</b>            IV B. Account Activity Detection</p> <p>The supervisory procedures and the compliance monitoring procedures should be reasonably designed to detect account activity that is or may be a violation of applicable securities legislation, requirements or any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place, and would include the following:</p> <ol style="list-style-type: none"> <li>Manipulative and <del>deceptive methods of trading</del> <u>Deceptive Activities</u>;</li> <li>Trading in restricted list securities;</li> <li>Employee or proprietary account front running;</li> <li>Exceeding position or exercise limits on derivative products; and</li> <li>Transactions raising a suspicion of money laundering or terrorist financing activity</li> </ol>
<p><b>RULE 3200</b>  <b>MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL UNDER 1300.1(T) TO OFFER AN ORDER-EXECUTION ONLY SERVICE</b>            A. 4 Supervision</p> <ol style="list-style-type: none"> <li>The Dealer Member or separate business unit of the Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that customers are not provided with recommendations as a result of the customer having an account with the separate business unit of the Dealer Member and with another separate business unit of the Dealer Member or with the Dealer Member itself.</li> <li>The Dealer Member or separate business unit of the Dealer Member must have written procedures and systems in place to review customer trading and accounts for those concerns listed in Rule 2500 other than those related to solely to suitability.</li> <li>The Dealer Member or separate business unit of the Dealer Member must ensure that its written policies and procedures and systems of supervision and control to review client trading takes into account the risks associated with the method of order entry and the absence of intermediation by staff of the Dealer</li> </ol>	<p><b>RULE 3200</b>  <b>MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL UNDER 1300.1(T) TO OFFER AN ORDER-EXECUTION ONLY SERVICE</b>            A. 4 Supervision</p> <ol style="list-style-type: none"> <li>The Dealer Member or separate business unit of the Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that customers are not provided with recommendations as a result of the customer having an account with the separate business unit of the Dealer Member and with another separate business unit of the Dealer Member or with the Dealer Member itself.</li> <li>The Dealer Member or separate business unit of the Dealer Member must have written procedures and systems in place to review customer trading and accounts for those concerns listed in Rule 2500 other than those related to solely to suitability.</li> <li><u>The Dealer Member or separate business unit of the Dealer Member must ensure that its written policies and procedures and systems of supervision and control to review client trading takes into account the risks associated with the method of order entry and the absence of intermediation by staff of the Dealer</u></li> </ol>





Text of Provisions Following Adoption of the DMR Amendments	Text of Current Provisions Marked to Reflect Adoption of the DMR Amendments
<p>Member.</p> <p>(d) The Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of supervisory reviews as required in rule 2500.</p> <p>(e) The Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this rule.</p> <p>A. 5 Identification of Certain Clients</p> <p>(a) The Dealer Member must ensure that a client identifier is assigned to each client that trades on a Marketplace for which the Corporation is the regulation services provider:</p> <ul style="list-style-type: none"> <li>(a) whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,</li> <li>(b) that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or</li> <li>(c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.</li> </ul> <p>(b) The Dealer Member must provide each client identifier assigned pursuant to Rule A.5(a) and the name of the corresponding client to the Corporation.</p> <p>(c) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule A.5(a) must contain the client identifier assigned to that client.</p> <p>A. 6 Systems and Books and Records</p> <p>...</p> <p>B. 5 Supervision</p> <p>(a) The Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that orders are marked accurately as recommended or non-recommended.</p> <p>(b) The Dealer Member must have written procedures for the selection of accounts to be subject to a monthly review at least equal to those currently required by Rule 2500. The selection must not have regard to whether the trades in the account are marked as recommended or non-recommended. The account review must include a determination whether the overall composition of the customer's portfolio no longer conforms to the documented objectives and risk tolerances of the customer as a result of non-recommended trades and, when it does not, the procedures must specify the steps to be taken for dealing with the disparity.</p> <p>(c) The Dealer Member must ensure that its written policies and</p>	<p><u>Member.</u></p> <p>(↔) <u>(d)</u> The Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of supervisory reviews as required in rule 2500.</p> <p>(↔) <u>(e)</u> The Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this rule.</p> <p><u>A. 5 Identification of Certain Clients</u></p> <p>(a) <u>The Dealer Member must ensure that a client identifier is assigned to each client that trades on a Marketplace for which the Corporation is the regulation services provider:</u></p> <ul style="list-style-type: none"> <li>(a) <u>whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,</u></li> <li>(b) <u>that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or</u></li> <li>(c) <u>that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.</u></li> </ul> <p>(b) <u>The Dealer Member must provide each client identifier assigned pursuant to Rule A.5(a) and the name of the corresponding client to the Corporation.</u></p> <p>(c) <u>The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule A.5(a) must contain the client identifier assigned to that client.</u></p> <p><del>A.5</del> <u>A.6</u> Systems and Books and Records</p> <p>...</p> <p>B. 5 Supervision</p> <p>(a) The Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that orders are marked accurately as recommended or non-recommended.</p> <p>(b) The Dealer Member must have written procedures for the selection of accounts to be subject to a monthly review at least equal to those currently required by Rule 2500. The selection must not have regard to whether the trades in the account are marked as recommended or non-recommended. The account review must include a determination whether the overall composition of the customer's portfolio no longer conforms to the documented objectives and risk tolerances of the customer as a result of non-recommended trades and, when it does not, the procedures must specify the steps to be taken for dealing with the disparity.</p>



Text of Provisions Following Adoption of the DMR Amendments	Text of Current Provisions Marked to Reflect Adoption of the DMR Amendments
<p>procedures and systems of supervision and control to review trading by order- execution only service clients takes into account the risks associated with the method of order entry and the absence of intermediation by staff of the Dealer Member.</p> <p>(d) The Dealer Member must maintain an audit trail of supervisory reviews as required in rule 2500.</p> <p>(e) The Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this rule.</p> <p><b>B.6 Identification of Certain Clients</b></p> <p>(a) The Dealer Member must ensure that a client identifier is assigned to each order execution-only service client that trades on a Marketplace for which the Corporation is the regulation services provider:</p> <p style="padding-left: 20px;">(a) whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,</p> <p style="padding-left: 20px;">(b) that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or</p> <p style="padding-left: 20px;">(c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.</p> <p>(b) The Dealer Member must provide each client identifier assigned pursuant to Rule B.6(a) and the name of the corresponding client to the Corporation.</p> <p>(c) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule B.6(a) contain the client identifier assigned to that client.</p> <p><b>B.7 SYSTEMS AND BOOKS AND RECORDS</b></p> <p>...</p>	<p>(c) <u>The Dealer Member must ensure that its written policies and procedures and systems of supervision and control to review trading by order execution only service clients takes into account the risks associated with the method of order entry and the absence of intermediation by staff of the Dealer Member.</u></p> <p>↔ (d) The Dealer Member must maintain an audit trail of supervisory reviews as required in rule 2500.</p> <p>↔ (e) The Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this rule.</p> <p><b><u>B.6 Identification of Certain Clients</u></b></p> <p>(a) <u>The Dealer Member must ensure that a client identifier is assigned to each order execution-only service client that trades on a Marketplace for which the Corporation is the regulation services provider:</u></p> <p style="padding-left: 20px;">(a) <u>whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,</u></p> <p style="padding-left: 20px;">(b) <u>that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or</u></p> <p style="padding-left: 20px;">(c) <u>that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.</u></p> <p>(b) <u>The Dealer Member must provide each client identifier assigned pursuant to Rule B.6(a) and the name of the corresponding client to the Corporation.</u></p> <p>(c) <u>The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule B.6(a) contain the client identifier assigned to that client.</u></p> <p><b><u>B.7 SYSTEMS AND BOOKS AND RECORDS</u></b></p> <p>...</p>



## Appendix E – Text of UMIR to Reflect Amendments Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces

Text of Provisions Following Adoption of the UMIR Amendments	Text of Current Provisions Marked to Reflect Adoption of the UMIR Amendments
<p><b>6.2 Designations and Identifiers</b></p> <p>(1) Each order entered on a marketplace shall contain:</p> <p style="margin-left: 20px;">a) the identifier of:</p> <p style="margin-left: 40px;">(i) the Participant or Access Person entering the order as assigned to the Participant or Access Person in accordance with Rule 10.15,</p> <p style="margin-left: 40px;">(ii) the marketplace on which the order is entered as assigned to the marketplace in accordance with Rule 10.15,</p> <p style="margin-left: 40px;">(iii) the Participant for or on behalf of whom the order is entered, if the order is a jitney order,</p> <p style="margin-left: 40px;">(iv) the client for or on behalf of whom the order is entered where the order originates from a Dealer Member that provides order execution services and the order requires a client identifier pursuant to Dealer Member Rule 3200,</p> <p style="margin-left: 40px;">(v) the client for or on behalf of whom the order is entered under direct electronic access, and</p> <p style="margin-left: 40px;">(vi) the investment dealer or foreign dealer equivalent for or on behalf of whom the order is entered under a routing arrangement; and</p> <p style="margin-left: 20px;">...</p>	<p><b>6.2 Designations and Identifiers</b></p> <p>(1) Each order entered on a marketplace shall contain:</p> <p style="margin-left: 20px;">a) the identifier of:</p> <p style="margin-left: 40px;">(i) the Participant or Access Person entering the order as assigned to the Participant or Access Person in accordance with Rule 10.15,</p> <p style="margin-left: 40px;">(ii) the marketplace on which the order is entered as assigned to the marketplace in accordance with Rule 10.15,</p> <p style="margin-left: 40px;">(iii) the Participant for or on behalf of whom the order is entered, if the order is a jitney order,</p> <p style="margin-left: 40px;"><span style="color: red;">(iv) <u>the client for or on behalf of whom the order is entered where the order originates from a Dealer Member that provides order execution services and the order requires a client identifier pursuant to Dealer Member Rule 3200,</u></span></p> <p style="margin-left: 40px;"><span style="color: red;">(v) the client for or on behalf of whom the order is entered under direct electronic access, and</span></p> <p style="margin-left: 40px;"><span style="color: red;">(vi) the investment dealer or foreign dealer equivalent for or on behalf of whom the order is entered under a routing arrangement; and</span></p> <p style="margin-left: 20px;">...</p>