

RULE 1200 | DEFINITIONS

1201. Definitions

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

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| “advisory account” | An account which is subject to a suitability determination where: <ul style="list-style-type: none"> (i) the client is responsible for all investment decisions but is able to rely on advice given by a Registered Representative, and (ii) the Dealer Member and the Registered Representative are responsible for all advice given. |
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| “direct electronic access account” | An account which is not subject to suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where: <ul style="list-style-type: none"> (i) the client has been provided with direct electronic access within the meaning of National Instrument 23-103, (ii) the <i>Dealer Member</i> provides no recommendations to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer, and (iii) the <i>Dealer Member</i> complies with the Universal Market Integrity Rule requirements applicable to the direct electronic access service offering and the requirements of NI 23-103. |
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| "discretionary account" | <p>An account which is subject to the suitability determination and over which the client has given discretionary authority where:</p> <ul style="list-style-type: none"> (i) the <i>Dealer Member</i> has not solicited the discretionary authority, (ii) the discretionary authority is accepted to accommodate a client who is frequently or temporarily unavailable to authorize trades, (iii) the discretionary authority has not been renewed, and (iv) the term of the discretionary authority does not exceed 12 months. |
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| "managed account" | <p>An account which is subject to a suitability determination where:</p> <ul style="list-style-type: none"> (i) investment decisions are made on a continuing basis by a <i>Portfolio Manager</i> or an <i>Associate Portfolio Manager</i> or a third party hired by the <i>Dealer Member</i>, and (ii) the <i>Dealer Member</i>, or a third party hired by the <i>Dealer Member</i>, and the <i>Portfolio Manager</i> or <i>Associate Portfolio Manager</i> are responsible for all investment decisions made. |
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| "order execution only account" | <p>An account which is not subject to a suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where:</p> <ul style="list-style-type: none"> (i) the client is solely responsible for making all investment decisions, and (ii) the <i>Dealer Member</i> provides no recommendation to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer. |
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RULE 2200 | DEALER MEMBER ORGANIZATION

PART A.3 - NON-SECURITIES BUSINESS AND SHARED PREMISES**2216. Shared office premises**

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- (15) Non-registered personnel employed by the *Dealer Member* or representatives of the *financial services entity* may not provide the following services on behalf of the *Dealer Member*:
 - (i) opening accounts,
 - (ii) distributing or receiving order forms for securities transactions,
 - (iii) assisting clients to complete order forms for securities transactions,
 - (iv) giving recommendations or any advice on any activity,
 - (v) completing know-your-client information on an account application, other than biographical information, and
 - (vi) soliciting securities transactions.
- (16) Non-registered personnel employed by the *Dealer Member* or representatives of the *financial services entity* may provide the following services on behalf of the *Dealer Member*:
 - (i) advertising the *Dealer Member's* services and products,
 - (ii) delivering or receiving clients' securities,
 - (iii) arranging client appointments or informing of deficiencies on completed forms,
 - (iv) providing the status, balances, and holdings of client accounts,
 - (v) providing quotes and other market information,
 - (vi) contacting the public, inviting the public to seminars, and forwarding non-securities information,
 - (vii) distributing account applications, subject to subsection 2216(17), and
 - (viii) receiving completed account applications to forward to the *Dealer Member* for approval.
- (17) At the *shared office premises*, a manager, assistant manager or credit officer of the *financial services entity* who has a high degree of knowledge about the client's financial affairs may help the client to complete the account application, if:

- (i) no *Approved Person* is available,
- (ii) the client's *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* complies with *IIROC requirements* relating to know-your-client and suitability determination by reviewing the account application with the client before any trade is conducted or a recommendation is made to a client, and
- (iii) a *Supervisor* has approved the account application before any trade is conducted for a client.

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RULE 2300 | PRINCIPAL AND AGENT RELATIONSHIPS

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2303. Written agreement between the Dealer Member and IIROC

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(4) The written agreement must be in a form similar to the following:

“Agreement between a Dealer Member and IIROC

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5. Disclosure to Clients

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

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

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RULE 3200 | KNOW-YOUR-CLIENT AND CLIENT ACCOUNTS

Part A - KNOW-YOUR-CLIENT AND CLIENT IDENTIFICATION REQUIREMENTS**3202. Know Your-Client**

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

3208. Exemptions from Know-Your-Client

- (1) Clause 3202(1)(iii) and subsection 3209(4) do not apply in respect to:
 - (i) an *order execution only account*,

- (ii) a *direct electronic access account*,
- (iii) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account, or
- (iv) an account held by an *institutional client*.

3209. Primary responsibility, delegation and obligation to keep current

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

PART B – REQUIREMENTS FOR CLIENT ACCOUNTS

3211. Account appropriateness

- (1) Before a *Dealer Member* opens an account for a *person*, the *Dealer Member* must determine, on a reasonable basis and putting the *person's* interest first, that:
 - (i) this action is appropriate for the *person*, and
 - (ii) the scope of products, services and account relationships which the *person* would have access to within the account are appropriate for the *person*.
- (2) Clause 3211(1)(ii) does not apply in respect to:
 - (i) an *order execution only account*, or
 - (ii) a *direct electronic access account*.
- (3) Subsection 3211(1) does not apply in respect to:
 - (i) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account, or

- (ii) an account held by a *Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company.*

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3216. Relationship Disclosure

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(5) Content of relationship disclosure information

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- (ii) Subject to clause 3216(5)(iii), the relationship disclosure information must contain the following:

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- (d) a description of the process used by the *Dealer Member* to determine suitability, including:

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- (III) a statement that the *Dealer Member* will determine that any investment action it takes, recommends or decides on, for the client is suitable for the client and puts the client's interest first, including when:

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- (iv) [Deleted]

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3241. Order execution only account services

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(2) A *Dealer Member* approved by IIROC to provide *order execution only account* services must, prior to opening an *order execution only account*:

(i) provide the following written disclosures to the client:

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(b) a statement confirming that the *Dealer Member* will not be responsible for making a suitability determination for the client, as set out in sections 3402 or 3403 (other than as required by clauses 3402(3)(i) and 3403(4)(i)), and, in particular, that the *Dealer Member* will not consider the client's personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon, nor other similar factors, and

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OPTIONS ACCOUNTS

3252. Additional requirements when opening an options account

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(2) The *designated Supervisor* must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and

financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon and puts the client's interest first. If they are not, the *designated Supervisor* should restrict the account from using inappropriate strategies and note on the *option* account approval any trading restrictions imposed and communicate those restrictions to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the account.

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FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS ACCOUNTS

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

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- (2) The *designated Supervisor* must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon and puts the client's interest first. If they are not, the *designated Supervisor* should restrict the account from using inappropriate strategies and note, on the *futures contract* account application or the *futures contract option* application, any trading restrictions imposed and communicate those restrictions to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the account.
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RULE 3300 | PRODUCT DUE DILIGENCE AND KNOW-YOUR-PRODUCT**3301. Product Due Diligence**

- (1) A *Dealer Member* must not make securities available to clients unless the *Dealer Member* has taken reasonable steps to:
 - (i) assess the relevant aspects of the securities, including the securities' structure, features, risks, initial and ongoing costs and the impact of those costs,
 - (ii) approve the securities to be made available to clients, and
 - (iii) monitor the securities for significant changes.
- (2) An *Approved Person* must not purchase securities for, or recommend securities to, a client unless the securities have been approved by the *Dealer Member* to be made available to clients under subsection 3301(1).

3302. Know-Your-Product

- (1) An *Approved Person* of a *Dealer Member* must not purchase or sell securities for, or recommend securities to, a client unless the *Approved Person* takes steps to understand the securities, including the securities' structure, features, risks, initial and ongoing costs and the impact of those costs.
- (2) For purposes of subsection 3302(1), the steps required to understand the security are those that are reasonable to enable the *Approved Person* to meet their obligations under Rule 3400.

3303. Exemptions from Product Due Diligence and Know-Your-Product

- (1) Section 3301 does not apply in respect to an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account.
- (2) Section 3302 does not apply in respect to:
 - (i) an *order execution only account*,
 - (ii) a *direct electronic access account*, or
 - (iii) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account.

3304 – 3399. Reserved

RULE 3400 | SUITABILITY DETERMINATION

3401. Introduction

- (1) Rule 3400 sets out a *Dealer Member's* suitability determination obligations in dealing with clients.

3402. Retail client suitability determination requirements

- (1) Before a *Dealer Member* purchases, sells, withdraws, exchanges or transfers-out securities for a *retail client's* account, takes any other investment action for a client, makes a recommendation or exercises discretion to take any such action, the *Dealer Member* must determine, on a reasonable basis, that the action satisfies the following criteria:
 - (i) the action is suitable for the *retail client*, based on the following factors:
 - (a) the *retail client's* information collected in accordance with section 3202,
 - (b) the *Dealer Member's* assessment of and an *Approved Person's* understanding of the security required in accordance with Rule 3300,
 - (c) the impact of the action on the *retail client's* account, including the concentration of securities within the account and the liquidity of those securities,
 - (d) the potential and actual impact of costs on the *retail client's* returns, and
 - (e) a consideration of a reasonable range of alternative actions available to the *Registered Representative, Portfolio Manager, or Associate Portfolio Manager* through the *Dealer Member* at the time the determination is made, and
 - (ii) the action puts the *retail client's* interest first.
- (2) A *Dealer Member* must review the *retail client's* account and the securities in the *retail client's* account to determine whether the criteria in subsection 3402(1) are met, and take reasonable steps, within a reasonable time, after any of the following events:
 - (i) securities are received or delivered into the client's account by way of deposit or transfer-in,
 - (ii) a *Registered Representative, Portfolio Manager or Associate Portfolio Manager* is designated as responsible for the account,
 - (iii) the *Dealer Member* becomes aware of a change in the *retail client's* information collected in accordance with subsection 3202(1) that could result in a security or the *retail client's* account not satisfying subsection 3402(1),
 - (iv) the *Dealer Member* becomes aware of a change in a security in the *retail client's* account that could result in the security or account not satisfying subsection 3402(1), or
 - (v) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4).
- (3) A *Dealer Member* must determine, on a reasonable basis and putting the *retail client's* interest first, that:
 - (i) it is suitable for the *retail client* to continue having an account with the *Dealer Member*, and
 - (ii) the scope of products, services and account relationships which the *retail client* has

access to within the account are suitable for the *retail client*.

- (4) When making a suitability determination pursuant to subsection 3402(1), a *Dealer Member* must determine, on a reasonable basis, that the *retail client's* account portfolio of investments that would result from the investment action the *Dealer Member* takes, recommends or exercises discretion to take is suitable for the *retail client* and puts the *retail client's* interest first.
- (5) Despite subsection 3402(1), if a *Dealer Member* receives an instruction from a *retail client* to take an action that, if taken, does not satisfy subsections 3402(1), the *Dealer Member* may carry out the *retail client's* instruction if the *Dealer Member* has:
 - (i) informed the *retail client* of the basis for the determination that the action will not satisfy subsection 3402(1) and advised the client against proceeding with the order,
 - (ii) recommended to the *retail client* an alternative action that satisfies subsection 3402(1), and
 - (iii) received recorded confirmation of the *retail client's* instruction to proceed with the action despite the determination referred to in clause 3402(5)(i).

3403. Institutional client suitability determination requirements

- (1) Subject to the applicable exemptions set out in section 3404, a suitability determination must be made for an *institutional client*:
 - (i) before any order is accepted from the client, and
 - (ii) before a recommendation is made to the client to purchase, sell, exchange or hold a security.
- (2) When a suitability determination must be made for an *institutional client* pursuant to subsection 3403(1), a *Dealer Member* must make a determination whether the client is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed to that *institutional client*. In making a determination whether a client is capable of independently evaluating investment risk and is exercising independent judgment, relevant considerations include:
 - (i) any written or oral understanding that exists between a *Dealer Member* and its client regarding the client's reliance on the *Dealer Member*,
 - (ii) the presence or absence of a pattern of acceptance of the *Dealer Member's* recommendations,
 - (iii) the use by a client of ideas, suggestions, market views and information obtained from other *Dealer Members*, market professionals or issuers particularly those relating to the same type of securities,
 - (iv) the use of one or more investment dealers, portfolio managers or other third party advisors,
 - (v) the general level of experience of the client in financial markets,
 - (vi) the specific experience of the client with the type of instrument under consideration, including the client's ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk, and

- (vii) the complexity of the securities involved.
- (3) Once each suitability determination has been made and:
 - (i) the *Dealer Member* has reasonable grounds for concluding that the *institutional client* is capable of making an independent investment decision and independently evaluating the investment risk, then the *Dealer Member's* suitability obligation is fulfilled for that transaction, or
 - (ii) the *Dealer Member* does not have reasonable grounds for concluding that the *institutional client* is capable of making an independent investment decision and independently evaluating the investment risk, then the *Dealer Member* must take steps to ensure that the *institutional client* fully understands the investment product, including the potential risks.
- (4) A *Dealer Member* must determine, on a reasonable basis and putting the *institutional client's* interest first, that:
 - (i) it is suitable for the *institutional client* to continue having an account with the *Dealer Member*, and
 - (ii) the scope of products, services and account relationships which the *institutional client* has access to within the account are suitable for the *institutional client*.

3404. Exemptions from the suitability determination requirements

- (1) Other than clause 3402(3)(i) and 3403(4)(i), sections 3402 or 3403 do not apply in respect to:
 - (i) an *order execution only account*, or
 - (ii) a *direct electronic access account*.
- (2) Sections 3402 and 3403 do not apply in respect to an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account.
- (3) Other than subsection 3403(4), section 3403 does not apply in respect to:
 - (i) an account held by a *Dealer Member*, *regulated entity*, exempt market dealer, portfolio manager, bank, trust company or insurance company, or
 - (ii) an account held by an *institutional client* that:
 - (a) is also a "permitted client", as defined in National Instrument 31-103,
 - (b) is not a client described in clause 3404(3)(i), and
 - (c) has waived, in writing, the protections offered to them under subsections 3403(1) and 3403(2).
- (4) Subsection 3403(4) does not apply to an account held by an *institutional client* who is a *Dealer Member*, *regulated entity*, exempt market dealer, portfolio manager, bank, trust company or insurance company.

3405. Reserved.**3406. Primary responsibility and delegation**

- (1) Compliance with *IIROC requirements* relating to suitability determination is primarily the

responsibility of the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* assigned to the client account.

- (2) *Registered Representatives, Portfolio Managers* and *Associate Portfolio Managers* must not delegate their responsibility for suitability assessment obligations to any other *person*.

RULE 3900 | SUPERVISION

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PART C – SUPERVISION OF RETAIL CLIENT ACCOUNTS

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3948. Supervision of suitability determination obligations

- (1) *A Dealer Member must supervise each Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager to confirm that they are complying with their responsibilities relating to the suitability determination to retail clients under Rule 3400.*

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PART D – SUPERVISION OF INSTITUTIONAL CLIENT ACCOUNTS

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3951. Supervision of suitability determination obligations

- (1) *A Dealer Member must supervise each Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager to confirm their compliance with their responsibilities relating to the suitability determination to institutional clients under section 3403.*

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PART F – SUPERVISION OF OPTIONS, FUTURES CONTRACTS AND FUTURES CONTRACT OPTION TRADING ACCOUNTS

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3962. Supervision of retail options accounts

- (1) The *designated Supervisor* is responsible for ensuring that all recommendations made for an account are and continue to be suitable for the client and put the client’s interest first.

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3967. Supervision of retail futures contract and futures contract options accounts

- (1) The *designated Supervisor* is responsible for:
 - (i) reviewing and approving client loss limits when they are set annually, taking into consideration previous losses, and
 - (ii) ensuring that all recommendations made for an account are and continue to be suitable for the client and put the client’s interest first.

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