

## Appendix 5 – Revised Proposed Amendments to the IDPC Rules (Blackline)

### RULE 1200 | DEFINITIONS

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#### 1201. Definitions

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

“acceptable <del>institutions</del> <u>institution</u> ”	The same meaning as set out in Form 1, General Notes and Definitions.
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“acceptable securities <del>locations</del> <u>location</u> ”	The same meaning as set out in Form 1, General Notes and Definitions.
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“carrying broker”	A <i>Dealer Member</i> that carries client accounts for another <i>Dealer Member</i> or for a <i>Mutual Fund Dealer Member</i> , which includes the clearing and settlement of trades, the maintenance of <i>records</i> of client transactions and accounts, and the custody of client cash <del>and</del> <u>securities and precious metals bullion</u> , in accordance with the requirements set out in Rule 2400.
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“derivative”	<u>A contract or an instrument classified as:</u> <u>(i) A an option, swap, futures contract, forward contract, futures contract option, contract for difference, or</u>
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	<p>(ii) <u>any other financial or commodity contract or instrument whose market price, value is derived from, and reflects changes in, the price of the underlying product. It is designed to facilitate the transfer and isolation of risk and may be used for both risk transference and investment purposes, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest, including a value, price, rate, variable, index, event, probability or thing, but does not include a contract or instrument determined by the Corporation to be classified in a category other than a derivative.</u></p>
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<p>“designated Supervisor”</p>	<p>A <i>Supervisor</i> that the <i>Dealer Member</i> makes responsible for a supervisory role defined in the <i>Corporation requirements</i>, including a <i>Supervisor</i> responsible for:</p> <ul style="list-style-type: none"> <li>(i) the supervision of futures contracts <del>and, forward contract, contracts for difference,</del> futures contract option <u>and similar derivative contract</u> trading accounts under Part <del>DF</del> of Rule <del>3200</del><u>3900</u>,</li> <li>(ii) the supervision of options <u>and similar derivative contract</u> trading accounts under Part <del>DF</del> of Rule <del>3200</del><u>3900</u>,</li> <li>(iii) the supervision of <i>discretionary accounts</i> under Part <del>EG</del> of Rule <del>3200</del><u>3900</u>,</li> <li>(iv) the opening of new accounts and the supervision of account activity under Part B of Rule 3900,</li> <li>(v) the supervision of <i>managed accounts</i> under Part G of Rule 3900,</li> <li>(vi) the pre-approval of <i>advertising, sales literature</i> and <i>correspondence</i> under Part A of Rule 3600, and</li> <li>(vii) the supervision of <i>research reports</i> under Part B of Rule 3600.</li> </ul>
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<p>“direct electronic access account”</p>	<p>An account which is not subject to suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where:</p> <ul style="list-style-type: none"> <li>(i) the client has been provided with direct electronic access within the meaning of National Instrument 23-103,</li> <li>(ii) the <i>Dealer Member</i> provides no recommendations to purchase, sell, hold or exchange any <i>security</i>, including any class of security or security of a class of issuer, <u>or transact in any derivative</u> and</li> <li>(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.</li> </ul>
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“futures contract”	A contract to make or take delivery of the underlying interest during a designated future month on terms agreed to when the contract is entered on a futures exchange.
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“futures contract option”	A right to acquire a long or short position in connection with a futures contract on terms agreed to at the time the option is granted and any option that has a futures contract as its underlying interest.
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<u>“hedger”</u>	<p><u>A non-individual that:</u></p> <p><u>(i) is exposed to one or more risks as a necessary part of its business activities, and</u></p> <p><u>(ii) seeks to hedge such risk by engaging in derivatives transactions where:</u></p> <p><u>(a) the underlying interest for the transactions is the same as or materially related to the underlying interest for the risk,</u></p> <p><u>(b) the intended effect of the transactions is to:</u></p> <p><u>(I) eliminate or reduce the risk related to fluctuations in the market value of the underlying interest or position being hedged, or</u></p> <p><u>(II) substitute the risk associated with one currency for the risk associated with another currency, provided the aggregate amount of currency risk to which the hedger is exposed is not increased by the substitution, and</u></p> <p><u>(c) there are reasonable grounds to believe that the market value changes in the positions resulting from the transactions will completely or materially offset market value changes in the underlying interest or position being hedged.</u></p>
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“institutional client”	<u>A person who is:</u>
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	<ul style="list-style-type: none"> <li>(i) an <i>acceptable counterparty</i>,</li> <li>(ii) an <i>acceptable institution</i>,</li> <li>(iii) a <i>regulated entity</i>,</li> <li>(iv) a registrant under <i>securities law</i>, other than an <i>individual</i> registrant,</li> <li>(v) a non-<i>individual</i> with total <i>securities</i> <u>and precious metals bullion</u> under administration or management <del>of more than exceeding</del> \$10 million,</li> <li>(vi) <u>an individual with total securities and precious metals bullion under administration or management exceeding \$10 million who requests and consents to being classified as an institutional client, or</u></li> <li>(vii) <u>a hedger who requests and consents to being classified as an institutional client for accounts with qualifying hedging activities and hedge positions.</u></li> </ul>
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“Investment Representative”	An <i>individual</i> , approved by the <i>Corporation</i> , to trade in, but not advise on, <del>securities, or options, futures contracts or futures contract options, derivatives,</del> on the <i>Dealer Member’s</i> behalf, including where that <i>individual</i> deals only in mutual funds.
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<u>“listed derivative”</u>	<u>A derivative that is traded on a marketplace pursuant to standardized terms and conditions set out by that marketplace and whose trades are cleared and settled by a clearing agency.</u>
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“manipulative and deceptive activities”	<p>Any manipulative or deceptive methods, act or practice in connection with any order or trade on a <i>marketplace</i>, and includes 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>(i) a false or misleading appearance of trading activity in or interest in the purchase or sale of a <i>security</i>, <u>or transaction in a derivative</u>, or</li> <li>(ii) an artificial ask price, bid price or sale price for the <i>security</i>, <u>or the transaction in a derivative</u>, or a related <i>security</i>.</li> </ul>
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<p>“market value”</p>	<p>The same meaning as set out in Form 1, General Notes and Definitions.</p> <p>(i) <u>For the purposes of the monthly, quarterly, and annual reporting for securities, derivatives and precious metals bullion:</u></p> <p>(a) <u>quoted on an active market, the published price quotation using:</u></p> <p>(I) <u>for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on a consolidated pricing list or marketplace quotation sheet as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be,</u></p> <p>(II) <u>for unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date,</u></p> <p>(III) <u>for all other unlisted securities (including unlisted debt securities) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of debt securities, based on a reasonable yield rate,</u></p> <p>(IV) <u>for money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date,</u></p> <p>(V) <u>for money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in paragraph (i)(a)(IV) of this definition and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment, and</u></p> <p>(VI) <u>for money market repurchases with borrower call features, the borrower call price,</u></p> <p>(VII) <u>for listed derivatives, the market value or settlement price on the relevant date or last trading day prior to the relevant date,</u></p> <p>(VIII) <u>for over-the-counter derivatives, a value determined as reasonable by considering:</u></p> <p>(A) <u>the market value or settlement price of the equivalent listed derivative, if available; and</u></p>
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	<p><u>(B) values from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, and after making any adjustments considered by the Dealer Member to be necessary to accurately reflect the market value,</u></p> <p><u>(b) where a reliable price cannot be determined:</u></p> <p><u>(I) the value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the security, derivative or precious metals bullion, either directly or indirectly, or</u></p> <p><u>(II) where no observable market data-related inputs are available, the value determined by using unobservable inputs and assumptions, or</u></p> <p><u>(III) where insufficient recent information is available or there is a wide range of possible values and cost (defined in subsection 3802(1)) represents the best value estimate within that range:</u></p> <p><u>(A) cost, and</u></p> <p><u>(B) where the market value information is being included in a client report or account statement, the Dealer Member must include the following notification or a notification that is substantially similar:</u></p> <p style="padding-left: 40px;"><u>“There is no active market for this [security/derivative/ precious metals bullion] so we have estimated its market value.”</u></p> <p><u>(c) where a value cannot be reliably determined under subclauses (i)(a) and (i)(b) of this definition:</u></p> <p><u>(I) no value shall be reported, and</u></p> <p><u>(II) where the market value information is being included in a client report or account statement, the Dealer Member must include the following notification or a notification that is substantially similar:</u></p> <p style="padding-left: 40px;"><u>“Market value not determinable.”</u></p> <p><u>(ii) For the purposes of the daily and intra-day reporting for securities, derivatives and precious metals bullion:</u></p> <p><u>(a) that are quoted on an active market, the value determined according to subclause (i)(a) of this definition,</u></p> <p><u>(b) where a reliable price cannot be determined and:</u></p> <p><u>(I) the position has been recently valued in accordance with the Dealer Member’s valuation policies and</u></p>
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	<p><u>procedures, the last value calculated for the position, or</u></p> <p><u>(II) the position has not been recently valued, the value and, if applicable, disclosure determined according to subclause (i)(b) of this definition,</u></p> <p><u>(c) where a value cannot be reliably determined under subclauses (ii)(a) and (ii)(b) above, the value and, if applicable, disclosure determined according to subclause (i)(c) of this definition.</u></p>
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<del>“option”</del>	<p>A derivative contract that:</p> <p><del>(i) gives the purchaser the right, but not the obligation, to buy or sell an underlying asset at a certain price (exercise price) on or before an agreed upon date, and</del></p> <p><del>(ii) imposes on the seller an obligation, if called upon by the purchaser, to buy in the</del></p>
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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> <p>(i) the client is solely responsible for making all investment decisions, and</p> <p>(ii) the <i>Dealer Member</i> provides no recommendation to purchase, sell, hold or exchange any <i>security</i>, including any class of security or security of a class of issuer, <u>or transact in any derivative.</u></p>
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<u>“over-the-counter derivative”</u>	<u>Any derivative other than a listed derivative.</u>
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“Registered Representative”	<p>An <i>individual</i>, approved by the <i>Corporation</i>, to trade, or advise on trades, in <del>securities, options, futures contracts, or futures contract</del> <u>options or derivatives</u> with the public in Canada, on the <i>Dealer Member’s</i> behalf, including where that <i>individual</i> deals only in mutual funds or only with <i>institutional clients</i>.</p>
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"sales literature"	Any written or electronic communication for client use which contains a recommendation relating to a <i>security</i> <u>or derivative</u> , or <i>trading strategy</i> , but does not include: <ul style="list-style-type: none"> <li>(i) any communication that is an <i>advertisement</i> or <i>correspondence</i>, or</li> <li>(ii) preliminary prospectuses and prospectuses.</li> </ul>
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"securities laws"	Any laws about trading, distributing, advising or any other related activities in <i>securities</i> , <del><i>futures contracts</i></del> , <del><i>futures contract options</i></del> or <i>derivatives</i> in Canada enacted by the government of Canada or any province or territory in Canada and all regulations, rules, orders, judgments and other regulatory directions relating to such laws.
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"securities <u>and derivatives</u> related business"	Any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in <i>securities</i> or <del><i>exchange contracts (including futures contracts and futures contract options)</i></del> <u><i>derivatives</i></u> for the purposes of <i>securities laws</i> , including for greater certainty, offers and sales pursuant to exemptions under <i>securities laws</i> .
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<u>"security"</u>	<u>A security as defined within the relevant <i>securities law</i> other than a <i>derivative</i>.</u>
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"segregation"	A practice whereby a <i>Dealer Member</i> holds in trust client <i>securities and precious metals bullion</i> that are: <ul style="list-style-type: none"> <li>(i) held free and clear of any charge, lien, claim or encumbrance of any kind,</li> <li>(ii) ready for delivery to a client on demand, and</li> <li>(iii) held separate from the <i>Dealer Member's</i> own <i>security</i> holdings.</li> </ul>
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**RULE 1400 | STANDARDS OF CONDUCT**

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**1402. Standards of conduct**

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- (2) Without limiting the generality of the foregoing, any business conduct that:
- (i) is negligent,
  - (ii) fails to comply with a legal, regulatory, contractual or other obligation, including the rules, requirements, and policies of a *Regulated Person*,
  - (iii) displays an unreasonable departure from standards that are expected to be observed by a *Regulated Person*, or
  - (iv) is likely to diminish investor confidence in the integrity of *securities, futures or derivatives* markets,
- may be conduct that contravenes one or more of the standards set forth in subsection 1402(1).
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**1403. Applicability**

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- (3) For purposes of section 1402, the obligation of *Regulated Persons* that are non-*Dealer Member* users or subscribers of a *Marketplace* for which *the Corporation* is the regulation services provider is limited to the obligation to transact business openly and fairly when trading on a *Marketplace* or otherwise dealing in *securities or derivatives* that are eligible to be traded on a *Marketplace*.
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**RULE 2200 | DEALER MEMBER ORGANIZATION**

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

**2215. Business other than securities or derivatives**

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

**2216. Shared office premises**

- (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 or derivatives transactions,
  - (iii) assisting clients to complete order forms for securities or derivatives 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 or derivatives transactions.

**PART C - ~~BUSINESS CHANGE~~ NOTIFICATION REQUIREMENTS**

**2245. Introduction**

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

- (i) the Dealer Member is adequately prepared to make the change without unduly impacting its clients.
- (ii) the change is carried in accordance with Corporation requirements, and
- (iii) the change is in the public interest.

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

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(2) A Dealer Member must notify the Corporation in writing before making any material change to its business activities.

(3) A Dealer Member must notify in writing and receive written approval from the Corporation before:

- (i) offering retail clients any highly-leveraged securities or derivatives, or
- (ii) offering retail clients previously approved highly-leveraged securities or derivatives that are to be based on a new underlying interest.

**2247. Notice of review**

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

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**RULE 2300 | PRINCIPAL AND AGENT RELATIONSHIPS**

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**2302. Principal and agent relationships**

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

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

(1) Before engaging any *agents* to conduct securities and derivatives related business, a Dealer Member must enter into a written agreement with the Corporation.

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

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

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

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

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

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

- (1) The *Dealer Member* and the *agent* who conducts *securities and derivatives related business* must enter into a written agreement.

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- (7) The written agreement must contain the following minimum terms:

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(iv) **Conduct of the *agent's* business**

- (a) The *agent* agrees to conduct all business in the *Dealer Member's* name, subject to sections 2281 through 2283 relating to the use of trade names.
- (b) The *agent* agrees to conduct all *securities and derivatives related business activities* through the *Dealer Member*.

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(vi) **Written disclosure to clients**

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

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

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

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- (ix) Access to premises

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

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- (xi) Insurance

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

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

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### PART A - DEALER MEMBER DIRECTORS AND EXECUTIVES

#### 2502. General requirements for Directors

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- (2) At least 40% of the Dealer Member's Directors must:

- (i) either:
  - (a) be *actively engaged in the business of the Dealer Member* and spend the majority of their time in the securities or derivatives industry, except those on active government service, or who for health reasons are prevented from such active engagement, or

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**2503. General requirements for Executives**

- (1) A Dealer Member's Executives must:
  - (i) be either:
    - (a) *actively engaged in the business of the Dealer Member* and spend the majority of their time in the securities or derivatives industry, except those on active government service, or who for health reasons are prevented from such active engagement, or

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**PART B - APPROVAL OF INDIVIDUALS**

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**2551. Individual approval**

- (1) An *individual* is not permitted to act as an *Approved Person* and a *Dealer Member* is not permitted to allow an *individual* to act as an *Approved Person* unless:

- (i) the *Dealer Member* is registered or licensed (or exempt from such registration or licensing) in the appropriate category under *securities laws* in each jurisdiction in which clients of the *Dealer Member* reside or in which the *Dealer Member* carries on *securities and derivatives related business*,
- (ii) the *individual*, if required to do so under *securities laws*, is registered or licensed (or exempt from such registration or licensing) in the appropriate category under *securities laws* in each jurisdiction in which clients of the *individual* reside or in which the *individual* carries on *securities and derivatives related business*, and
- (iii) the *individual* is approved by the *Corporation* in the appropriate *Approved Person* category, before the *individual* begins working in that role. In the case of a *Registered Representative* dealing in mutual funds only who is an *employee* of a firm registered as both an investment dealer and a mutual fund dealer, such approval will be automatic upon the *individual's* registration as a Mutual Fund Dealer - Dealing Representative.

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

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- (2) A *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* may not conduct on behalf of a *Dealer Member*, and a *Dealer Member* may not permit the *Approved Person* to conduct on its behalf, the type of business as set out in clause 2553(2)(iv) and deal with a type of customer as set out in clauses 2553(2)(i) and (ii), unless the *Dealer Member* complies with the following:

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- (iv) The *Dealer Member* must notify the *Corporation* which of its *individuals* approved as a *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* will deal in or advise in:
  - (a) only mutual funds, government or government-guaranteed debt instruments, and deposit instruments issued by a federally regulated bank, trust company, credit union or caisse populaire, except those for which all or part of the interest or return is indexed to the performance of another financial instrument or index,
  - (b) options or similar derivative contracts,

- (c) futures contracts ~~and~~ forward contracts, contracts for difference, futures contract options or similar derivative contracts, other than in any province where approval is required, and
- (d) general *securities* business; including equities, fixed income and other investment products not listed above.

- (8) An *Associate Portfolio Manager* must not advise on *securities* or derivatives unless, before giving the advice, the advice has been pre-approved by the *Portfolio Manager*.

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

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**PART A - PROFICIENCY REQUIREMENTS**

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

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

Registered <del>Representatives</del> <b>Representative</b> and Investment <del>Representatives</del> <b>Representative</b>
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<ul style="list-style-type: none"> <li>Registered Representative dealing with retail clients (other than a Registered Representative dealing in <del>options, futures derivative</del> contracts and <del>futures contract options</del> or <del>dealing only</del> in mutual funds <del>only</del>)</li> </ul>
<ul style="list-style-type: none"> <li>Registered Representative dealing with institutional clients (other than a Registered Representative dealing in <del>options, futures derivative</del> contracts and <del>futures contract options</del> or <del>dealing only</del> in mutual funds <del>only</del>)</li> </ul>
<ul style="list-style-type: none"> <li>Registered Representative dealing in options <u>or similar derivative contracts</u> with retail clients</li> </ul>
<ul style="list-style-type: none"> <li>Registered Representative dealing in options <u>or similar derivative contracts</u> with institutional clients</li> </ul>
<ul style="list-style-type: none"> <li>Registered Representative dealing in futures contracts <del>and, forward contracts, contracts for difference,</del> futures contract options <u>or similar derivative contracts</u> with retail or institutional clients</li> </ul>
<ul style="list-style-type: none"> <li>Registered Representative dealing in mutual funds only who is an employee of a firm registered as an investment dealer and not registered as a mutual fund dealer</li> </ul>
<ul style="list-style-type: none"> <li>Registered Representative dealing in mutual funds only who is an employee of a firm registered as both an investment dealer and a mutual fund dealer</li> </ul>
<ul style="list-style-type: none"> <li>Investment Representative dealing with retail clients (other than an Investment Representative dealing in <del>options, futures derivative</del> contracts and <del>futures contract options</del> or <del>dealing only</del> in mutual funds <del>only</del>)</li> </ul>
<ul style="list-style-type: none"> <li>Investment Representative dealing with institutional clients (other than an Investment Representative dealing in <del>options, futures derivative</del> contracts and <del>futures contract options</del> or <del>dealing only</del> in mutual funds <del>only</del>)</li> </ul>
<ul style="list-style-type: none"> <li>Investment Representative dealing in options <u>or similar derivative contracts</u> with retail clients</li> </ul>
<ul style="list-style-type: none"> <li>Investment Representative dealing in options <u>or similar derivative contracts</u> with institutional clients</li> </ul>
<ul style="list-style-type: none"> <li>Investment Representative dealing in futures contracts <del>or, forward contracts, contracts for difference,</del> futures contract options <u>or similar derivative contracts</u> with retail or institutional clients</li> </ul>
<ul style="list-style-type: none"> <li>Investment Representative dealing in mutual funds only who is an employee of a firm registered as an investment dealer and not registered as a mutual fund dealer</li> </ul>
<p><b>Associate Portfolio <del>Managers</del>Manager and Portfolio <del>Managers</del>Manager</b></p>
<ul style="list-style-type: none"> <li>Associate Portfolio <del>Managers</del>Manager providing discretionary portfolio management for managed accounts</li> </ul>
<ul style="list-style-type: none"> <li>Portfolio <del>Managers</del>Manager providing discretionary portfolio management for managed accounts</li> </ul>
<p><b><del>Traders</del>Trader</b></p>
<ul style="list-style-type: none"> <li>Trader</li> </ul>
<ul style="list-style-type: none"> <li>Trader on the Montréal Exchange</li> </ul>
<p><b><del>Supervisors</del>Supervisor – Retail or Institutional</b></p>
<ul style="list-style-type: none"> <li>Supervisor of Registered Representatives or Investment Representatives (other than supervising <del>options or futures derivative</del> contracts and <del>futures contract options</del>)</li> </ul>
<ul style="list-style-type: none"> <li>Supervisor of Registered Representatives or Investment Representatives dealing with clients in options <u>or similar derivative contracts</u></li> </ul>

<ul style="list-style-type: none"> <li>• <i>Supervisor of Registered Representatives or Investment Representatives dealing with clients in futures contracts <del>and</del>, <u>forward contracts, contracts for difference</u>, futures contract options <u>or similar derivative contracts</u></i></li> </ul>
<b>Designated <del>Supervisors</del>Supervisor</b>
<ul style="list-style-type: none"> <li>• <i>Supervisor designated to be responsible for the opening of new accounts and supervision of account activity</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor designated to be responsible for the supervision of <u>discretionary accounts</u></i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor designated to be responsible for the supervision of <u>managed accounts</u></i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor designated to be responsible for the supervision of <del>options</del><u>option and similar derivative contract</u> accounts</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor designated to be responsible for the supervision of futures contract <del>and</del>, <u>forward contract, contracts for difference</u>, futures contract <del>options</del><u>option and similar derivative contract</u> accounts</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor designated to be responsible for the pre-approval of <u>advertising, sales literature and correspondence</u></i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Supervisor designated to be responsible for the supervision of <u>research reports</u></i></li> </ul>
<b><del>Executives</del>Executive and <del>Directors</del>Director</b>
<ul style="list-style-type: none"> <li>• <i>Executive (including <u>Ultimate Designated Person</u>)</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Director</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Chief Financial Officer</i></li> </ul>
<ul style="list-style-type: none"> <li>• <i>Chief Compliance Officer</i></li> </ul>
<b>Approved <del>investors</del>investor</b>
<ul style="list-style-type: none"> <li>• <i><del>approved</del><u>Approved</u> investor</i></li> </ul>

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
<b>Registered <del>Representatives</del>Representative and Investment <del>Representatives</del>Representative</b>			
(i) <i>Registered Representative dealing with retail clients (other than a Registered <del>Representatives</del>Representative dealing in <u>options, futures</u><u>derivative contracts and futures contract options</u> or</i>	<ul style="list-style-type: none"> <li>• Canadian Securities Course or, Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course <b>and</b></li> <li>• 90-day training program after completion of the Canadian Securities Course or CFA Program Level I or</li> </ul>	<ul style="list-style-type: none"> <li>• Wealth Management Essentials Course within 30 months after approval date as a <i>Registered Representative</i></li> </ul>	<ul style="list-style-type: none"> <li>• Six months of supervision and supervisory reporting from initial approval date as a <i>Registered Representative</i></li> </ul>

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
<p><del>dealing</del><u>only</u> in mutual funds-<del>only</del>)</p>	<p>any higher level. The <i>Dealer Member</i> must employ the applicant full time during this program.</p> <p>OR</p> <ul style="list-style-type: none"> <li>• New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval</li> </ul>		
<p>(ii) <i>Registered Representative</i> dealing with institutional clients (other than a <i>Registered Representative</i><del>Representative</del> dealing in <del>options, futures</del><u>derivative contracts and futures contract options</u> or <del>dealing</del><u>only</u> in mutual funds-<del>only</del>)</p>	<ul style="list-style-type: none"> <li>• Canadian Securities Course or, Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval</li> </ul>		
<p>(iii) <i>Registered Representative</i> dealing in <u>options or similar derivative contracts</u> with retail clients</p>	<ul style="list-style-type: none"> <li>• The proficiency requirements of a <i>Registered Representative</i> dealing with <i>retail clients</i> under clause 2602(3)(i),</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• Both the Derivatives Fundamentals Course and the Options Licensing Course</li> </ul>		

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

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p><u>derivative contracts</u> within three years before requesting approval, and</p> <p>Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p>		
<p>(v) <i>Registered Representative <del>dealing with retail clients or institutional clients</del> dealing in futures contracts <del>or, forward contracts, contracts for difference, futures contract options or similar derivative contracts with retail clients or institutional clients</del></i></p>	<ul style="list-style-type: none"> <li>• Futures Licensing Course, and Conduct and Practices Handbook Course</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• Derivatives Fundamentals Course</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>• Derivatives Fundamentals and Options Licensing Course</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>• Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with the National Futures Association in a similar capacity and dealing in futures <u>contracts, forward contracts, contracts for difference, futures contract options or similar derivative contracts</u> within three years before requesting approval</li> </ul>		
<p>(vi) <i>Registered Representative dealing in mutual funds only who is an employee of a firm registered as an</i></p>	<ul style="list-style-type: none"> <li>• Canadian Securities Course</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>• Canadian Investment Funds Course administered by the</li> </ul>	<ul style="list-style-type: none"> <li>• Canadian Securities Course and Conduct and Practices Handbook Course within 270 days of initial approval,</li> </ul>	<ul style="list-style-type: none"> <li>• The <i>individual</i> must upgrade to <i>Registered Representative</i></li> </ul>

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
investment dealer and not registered as a mutual fund dealer	Investment Funds Institute of Canada <b>or</b> Investment Funds in Canada Course	and • 90-day training program within 18 months of initial approval	within 18 months of initial approval
(vii) <i>Registered Representative</i> dealing in mutual funds only who is an <i>employee</i> of a firm registered as both an investment dealer and a mutual fund dealer	<ul style="list-style-type: none"> <li>• Canadian Securities Course</li> <li><b>or</b></li> <li>Canadian Investment Funds Course administered by the Investment Funds Institute of Canada</li> <li><b>or</b></li> <li>Investment Funds in Canada Course</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• 90-day training program after completion of the Canadian Securities Course or Canadian Investment Funds Course or Investment Funds in Canada Course</li> </ul>		<ul style="list-style-type: none"> <li>• Six months of supervision and supervisory reporting from initial approval date as <i>Registered Representative</i></li> </ul>
(viii) <i>Investment Representative</i> dealing with <i>retail clients</i> (other than an <i>Investment Representative</i> <del>Representative</del> <i>Representative</i> dealing in <i>options, futures derivative contracts and futures contract options</i> or <i>dealing only</i> in mutual funds <del>only</del> )	<ul style="list-style-type: none"> <li>• Canadian Securities Course, or Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course</li> <li><b>and</b></li> <li>30-day training program after completing the Canadian Securities Course or Level I or any higher level of the CFA Program. The <i>Dealer Member</i> must employ the applicant full-time during this program</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• New Entrants Course, if previously registered with a</li> </ul>		<ul style="list-style-type: none"> <li>• Six months of supervision and supervisory reporting from initial approval date as an <i>Investment Representative</i></li> </ul>

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p><i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval</p>		
<p>(ix) <i>Investment Representative</i> dealing with <i>institutional clients</i> (other than <del>an Investment Representative</del> <i>Representative</i> dealing in <del>options, futures</del> <u>derivative contracts and futures contract options</u> or <u>dealing only</u> in mutual funds <del>only</del>)</p>	<ul style="list-style-type: none"> <li>• Canadian Securities Course, or Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• New Entrants Course, if previously registered with a <i>recognized foreign self-regulatory organization</i> in a similar capacity within three years before requesting approval</li> </ul>		
<p>(x) <i>Investment Representative</i> dealing in options <u>or similar derivative contracts</u> with <i>retail clients</i></p>	<ul style="list-style-type: none"> <li>• The proficiency requirements of an <i>Investment Representative</i> dealing with <i>retail clients</i> under clause 2602(3)(viii),</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• Both the Derivatives Fundamentals Course <i>and</i> the Options Licensing Course</li> </ul> <p><b>or</b></p> <p>Derivatives Fundamentals and Options Licensing Course,</p> <p><b>or</b></p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options <u>or similar derivative contracts</u> within</p>		

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

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

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

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<ul style="list-style-type: none"> <li>• Futures Licensing Course,</li> <li>AND</li> <li>Derivatives Fundamentals Course</li> <li><b>or</b></li> <li>Derivatives Fundamentals and Options Licensing Course</li> <li><b>or</b></li> <li>Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with the National Futures Association in a similar capacity and dealing in futures <a href="#">contracts, forward contracts, contracts for difference, futures contract options or similar derivative contracts</a> within three years before requesting approval</li> </ul>		
<p>(xv) <i>Portfolio <del>Managers</del>Manager</i> providing discretionary portfolio management for <i>managed accounts</i></p>	<ul style="list-style-type: none"> <li>• Conduct and Practices Handbook Course,</li> <li>AND</li> <li>Canadian Investment Manager Designation</li> <li><b>or</b></li> <li>Chartered Investment Manager Designation</li> <li><b>or</b></li> <li>CFA Charter administered by the CFA Institute</li> <li>AND</li> <li>If managing <a href="#">options or similar derivative contract</a></li> </ul>		<p>If Canadian Investment Manager Designation or Chartered Investment Manager Designation is completed:</p> <ul style="list-style-type: none"> <li>• at least four years of relevant investment management experience; one year of which was gained within the three years before requesting approval acceptable to the <i>Corporation</i></li> </ul> <p><b>or</b></p>

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>accounts <del>in options</del>:</p> <ul style="list-style-type: none"> <li>Both the Derivatives Fundamentals Course and the Options Licensing Course</li> </ul> <p><b>or</b></p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p><b>or</b></p> <p>New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options within three years before requesting approval,</p> <p><b>and</b></p> <p>Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</p> <p>AND</p> <p>If managing <del>accounts in</del> futures <u>contract, forward contract, contracts/for difference, futures contract options option or similar derivative contract accounts</u>:</p> <ul style="list-style-type: none"> <li>Futures Licensing Course</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>Derivatives Fundamentals Course</li> </ul> <p><b>or</b></p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p><b>or</b></p> <p>Series 3 Examination administered by the Financial Industry Regulatory Authority</p>		<p>If CFA Charter is completed, at least one year of relevant investment management experience within the three years before requesting approval acceptable to the Corporation</p>

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

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

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
<p><a href="#">difference</a>, futures contract options <a href="#">or similar derivative contracts</a></p>	<p>Conduct and Practices Handbook Course</p> <p>AND</p> <ul style="list-style-type: none"> <li>• Derivatives Fundamentals Course</li> </ul> <p><b>or</b></p> <p>Derivatives Fundamentals and Options Licensing Course</p> <p><b>or</b></p> <p>Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with National Futures Association or an investment dealer and dealing in futures <a href="#">contracts</a>, <a href="#">forward contracts</a>, <a href="#">contracts for difference</a>, <a href="#">futures contract options or similar derivative contracts</a> within three years before requesting approval</p>		<p>for an entity governed by a <i>recognized foreign self-regulatory organization</i></p> <p><b>or</b></p> <p>Such other equivalent experience acceptable to the <i>Corporation</i></p>
<b>Designated <del>Supervisors</del> Supervisor</b>			
<p>(xxi) <i>Supervisor</i> designated to be responsible for the opening of new accounts and supervision of account activity</p>	<ul style="list-style-type: none"> <li>• Investment Dealer Supervisors Course</li> </ul>		<ul style="list-style-type: none"> <li>• Two years of relevant experience working for an investment dealer</li> </ul> <p><b>or</b></p> <p>Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i></p>

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
			<p><b>or</b></p> <p>Such other equivalent experience acceptable to the Corporation</p>
(xxii) <i>Supervisor</i> designated to be responsible for the supervision of <i>discretionary accounts</i>	<ul style="list-style-type: none"> <li>Investment Dealer Supervisors Course</li> </ul>		<ul style="list-style-type: none"> <li>Two years of relevant experience working for an investment dealer</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i></li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Such other equivalent experience acceptable to the Corporation</li> </ul>
(xxiii) <i>Supervisor</i> designated to be responsible for the supervision of <i>managed accounts</i>	<ul style="list-style-type: none"> <li>Canadian Investment Manager Designation</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>Chartered Investment Manager Designation</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>CFA Charter administered by the CFA Institute</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>If supervising <u>options and similar derivative contract</u> accounts <del>in options</del>, the applicable <del>proficiency requirements to trade and supervise options</del></li> </ul>		<ul style="list-style-type: none"> <li>If completed Canadian Investment Manager Designation or Chartered Investment Manager Designation: at least four years of relevant investment management experience; one year of which was gained within the three years before requesting approval</li> </ul> <p><b>or</b></p>

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

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

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
the supervision of <i>research reports</i>	CFA Charter administered by the CFA Institute  <b>or</b> Other appropriate qualifications acceptable to the <i>Corporation</i>		for an investment dealer  <b>or</b> Two years of relevant experience working for an entity governed by a <i>recognized foreign self-regulatory organization</i>  <b>or</b> Such other equivalent experience acceptable to the <i>Corporation</i>
<b><del>Executives</del>Executive and <del>Directors</del>Director</b>			
(xxviii) <i>Executive</i> (including <i>Ultimate Designated Person</i> )	<ul style="list-style-type: none"> <li>• Partners, Directors and Senior Officers Course</li> </ul> AND <ul style="list-style-type: none"> <li>• If seeking approval in a trading or advising category, the applicable proficiency requirements in that category</li> </ul> AND <ul style="list-style-type: none"> <li>• If seeking approval as a <i>Supervisor</i>, the applicable proficiency requirements in that category</li> </ul>		
(xxix) <i>Director</i>	An industry <i>Director</i> must complete: <ul style="list-style-type: none"> <li>• Partners, Directors and Senior Officers Course,</li> </ul> AND <ul style="list-style-type: none"> <li>• If seeking approval in a trading or advising category, the applicable proficiency</li> </ul>		

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	<p>requirements in that category,</p> <p>AND</p> <ul style="list-style-type: none"> <li>• If seeking approval as a <i>Supervisor</i>, the applicable proficiency requirements in that category</li> </ul> <p>A non-industry <i>Director</i> that owns or controls a voting interest of 10% or more, directly or indirectly, must complete:</p> <ul style="list-style-type: none"> <li>• The Partners, Directors and Senior Officers Course</li> </ul>		
(xxx) <i>Chief Financial Officer</i>	<ul style="list-style-type: none"> <li>• Partners, Directors and Senior Officers Course</li> </ul> <p><b>and</b></p> <p>Chief Financial Officers Qualifying Examination</p> <p>AND</p> <ul style="list-style-type: none"> <li>• If seeking approval in a trading or advising category, the applicable proficiency requirements in that category,</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• If seeking approval as a <i>Supervisor</i>, the applicable proficiency requirements in that category</li> </ul>		<ul style="list-style-type: none"> <li>• A financial accounting designation, finance related university degree or diploma or equivalent work experience as may be acceptable to the <i>Corporation</i></li> </ul>
(xxxi) <i>Chief Compliance Officer</i>	<ul style="list-style-type: none"> <li>• Partners, Directors and Senior Officers Course,</li> </ul> <p><b>and</b></p> <p>Chief Compliance Officers Qualifying Examination</p> <p>AND</p> <ul style="list-style-type: none"> <li>• If seeking approval in a trading or advising category, the applicable proficiency</li> </ul>		<ul style="list-style-type: none"> <li>• Five years working for an investment dealer or registered advisor, with at least three years in a compliance or supervisory capacity</li> </ul> <p><b>or</b></p> <p>Three years providing professional services</p>

Approved <del>Persons</del> Person category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
	requirements in that category, AND If seeking approval as a <i>Supervisor</i> , the applicable proficiency requirements in that category		in the securities i
<b>Approved investor</b>			
(xxxii) <del>approved</del> <u>Approved</u> investor (under subsections 2555(2) and 2555(3))	<ul style="list-style-type: none"> <li>Partners, Directors and Senior Officers Course</li> </ul>		

**PART B - EXEMPTIONS FROM PROFICIENCY REQUIREMENTS**

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

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

Course	Individual's current status	Exemption criteria
. . .	. . .	. . .
Derivatives Fundamentals Course	<ul style="list-style-type: none"> <li>an applicant for approval or <i>Approved Person</i> who will be dealing with clients in futures contracts, <del>or forward contracts,</del> <u>contracts for difference,</u> futures</li> </ul>	<ul style="list-style-type: none"> <li>applicant seeking approval or filing a notice within three years of passing the Futures Licensing Course or the Canadian Commodity Supervisors Exam</li> </ul>

Course	Individual's current status	Exemption criteria
	contract options <u>or similar derivative contracts</u> or supervising <i>Approved Persons</i> who deal with such clients	
Derivatives Fundamentals Course	<ul style="list-style-type: none"> <li>an applicant for approval or an <i>Approved Person</i> dealing with clients, in <u>options or similar derivative contracts</u>, or supervising <i>Approved Persons</i> who deal with such clients</li> </ul>	<ul style="list-style-type: none"> <li>applicant seeking approval or filing a notice within three years of completing the Options Licensing Course or the Options Supervisors Course</li> </ul>
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.	.	.
.	.	.

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

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

**2704. Continuing education requirements**

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

Approved Person Category	Client Type	Compliance course requirement	Professional development requirement
.	.	.	.
.	.	.	.
.	.	.	.
Supervisor designated to be responsible for the supervision of <del>options</del> <u>option and similar</u>	<i>retail client</i> or <i>institutional client</i>	Yes	No

Approved Person Category	Client Type	Compliance course requirement	Professional development requirement
<u>derivative contract</u> accounts			
Supervisor designated to be responsible for the supervision of futures contract, <del>forward contract</del> , <u>contracts for difference</u> , futures contract <del>options</del> <u>option and similar derivative contract</u> accounts	retail client or institutional client	Yes	No
.	.	.	.
.	.	.	.
.	.	.	.

**RULE 3100 | DEALING WITH CLIENTS**

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**PART B – CONFLICTS OF INTEREST**

**3118. Tied selling**

- (1) A Dealer Member must not require a client to purchase, use or invest in any product, service ~~or~~ security or derivative as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying, continuing to supply or selling a product, service ~~or~~ security or derivative.

**PART C – BEST EXECUTION OF CLIENT ORDERS AND TRANSACTIONS**

**3119. Definitions**

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

<p>“over-the-counter securities<u>security</u>”</p>	<p><del>Debt securities, contracts for difference and foreign exchange contracts, but does not include:</del></p> <p><u>A security, other than:</u></p> <p>(i) a <u>listed security</u>,</p> <p>(ii) <u>a foreign exchange-traded security</u>,</p> <p><del>(iii) (iii) a security that is undergoing a primary market transaction, and securities, and transaction, and</del></p> <p><del>(iii) over the counter derivatives with non-standardized contract terms that are customized to the needs of a particular client and for which there is no secondary market.</del></p> <p><u>(iv) a derivative.</u></p>
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**3120. Best execution obligation**

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

**3121. Best execution factors for listed security and listed derivative orders**

- (1) The policies and procedures for achieving *best execution* of client orders in listed securities, foreign-exchange traded securities and listed derivatives must address the following broad factors ~~when executing all client orders:~~
- (i) the price of the security or derivative,
  - (ii) the speed of execution of the client order,
  - (iii) the certainty of execution of the client order, and
  - (iv) the overall cost of the transaction, when costs are passed on to clients.
- (2) In addition to the broad factors listed in subsection 3121(1), the policies and procedures for *best execution* of client orders for *listed securities* and *foreign-exchange traded securities* must address the following specific factors:
- (i) the considerations taken into account when determining appropriate routing strategies for client orders,
  - (ii) the considerations for fair pricing of *Opening Orders* when determining where to enter an *Opening Order*,
  - (iii) the considerations when not all ~~Marketplaces~~ marketplaces are open and available for trading,

- (iv) how order and trade information from all appropriate ~~Marketplaces~~marketplaces, including unprotected ~~Marketplaces~~marketplaces and *foreign organized regulated markets*, is taken into account,
  - (v) the factors related to executing client orders on unprotected ~~Marketplaces~~marketplaces, and
  - (vi) the factors related to sending client orders to a foreign intermediary for execution.
- (3) The policies and procedures for *best execution* must address the factors used to achieve *best execution* when manually handling a client order for trades on a ~~Marketplace~~marketplace, including the following “prevailing market conditions”:
- (i) the direction of the market for the *security* or derivative,
  - (ii) the depth of the posted market,
  - (iii) the *last sale price* and the prices and volumes of previous trades,
  - (iv) the size of the spread, and
  - (v) the liquidity of the *security* or derivative.
- (4) In addition to the broad factors listed in subsection 3121(1), the policies and procedures for best execution of client orders for listed derivatives must consider whether the individual order is part of a multiple orders trading strategy and, if so, the broad factors in subsection 3121(1) must be addressed as they relate to execution of the overall strategy.

**3122. Best execution factors for over-the-counter security and over-the-counter derivative transactions**

- (1) The policies and procedures for achieving best execution of client transactions in over-the-counter securities and over-the-counter derivatives must be designed to ensure fair pricing.
- (2) Subject to subsection 3122(3), to ensure fair pricing when acting as principal, a Dealer Member must not:
- (i) purchase over-the-counter securities for its own account from a client, or
  - (ii) sell over-the-counter securities from its own account to a client, or
  - (iii) transact in over-the-counter derivatives with a client.
- (3) Subsection 3122(2) does not apply when a transaction is executed at an aggregate price (including any mark-up or mark-down) that is fair and reasonable, taking into consideration all relevant factors, including the following:
- (i) in the case of a transaction in over-the-counter securities, the fair market value of the securities and of any securities exchanged or traded in connection with the transaction at the time of the transaction,
  - (ii) in the case of transactions in over-the-counter derivatives:
    - (a) the fair market value or settlement price of the equivalent listed derivative,  
and
    - (b) the fair market value of the derivatives underlying interest and of any related derivatives involved in the same trading strategy, at the time of the transaction,
  - (iii) the expense involved in effecting the transaction or transactions,
  - (iv) the fact that the Dealer Member is entitled to a profit, and

- (v) the total dollar amount or dollar amount at risk of the transaction or transactions.
- (4) To ensure fair pricing when acting as agent, a Dealer Member must not purchase over-the-counter securities, sell over-the-counter securities, or transact in over-the-counter derivatives on behalf of a client for a commission or service charge in excess of a fair and reasonable amount, taking into consideration all relevant factors, including the following:
- (i) the availability of the securities or derivatives involved in the transaction,
  - (ii) the expense involved in effecting the transaction or transactions,
  - (iii) the value of the services rendered by the Dealer Member, and
  - (iv) the amount of any other compensation received or to be received by the Dealer Member in connection with the transaction.

~~3122~~**3123.** **Best execution process**

- (1) The policies and procedures for *best execution* must specifically address the process for achieving *best execution* that includes the following:
- (i) for the execution of all client orders and transactions:
    - (a) requiring the *Dealer Member* to consider the instructions of ~~a~~the client, subject to its obligations under *Corporation requirements* and *securities laws*, and
    - (b) describing any material conflicts of interest that may arise when sending client orders for handling or execution or when arranging for a client transaction and how these conflicts are to be managed,
- and,
- (ii) for the execution of client orders for *listed securities* and *foreign exchange-traded securities* that trade on a ~~Marketplace~~marketplace:
    - (a) describing the *Dealer Member's* order handling and routing practices for achieving *best execution*,
    - (b) taking into account order and trade information from all appropriate ~~Marketplaces~~marketplaces,
    - (c) the rationale for accessing or not accessing particular ~~Marketplaces~~marketplaces, and
    - (d) the circumstances under which a *Dealer Member* will move an order entered on one ~~Marketplace~~marketplace to another ~~Marketplace~~marketplace.

~~3123~~**3124.** **Non-executing Dealer Member best execution policies and procedures**

- (1) A *Dealer Member* that engages another *Dealer Member* to provide execution services on its behalf may include in its policies and procedures for *best execution* a link to the executing *Dealer Member's* *best execution* disclosure to comply with its obligations under clause ~~3122(1)~~3123(1)(ii) and sections 3126 and 3129, provided that the non-executing *Dealer Member's* policies and procedures for *best execution* specifically address the following:
- (i) the non-executing *Dealer Member* must conduct an initial review of the best execution disclosure of the executing *Dealer Member* and a review when material changes are made to the disclosure, to provide reasonable assurance

that the executing *Dealer Member's* policies and procedures for *best execution* are complete and appropriate for its clients,

- (ii) the non-executing *Dealer Member* must obtain an annual attestation from the executing *Dealer Member* that it has complied with and tested its policies and procedures on *best execution* in accordance with sections 3119 through 3129, and
- (iii) the non-executing *Dealer Member* must follow-up with the executing *Dealer Member* if it identifies trade execution results that are inconsistent with the executing *Dealer Member's best execution* disclosure and document the results of its inquiry.

**~~3124~~3125. Sending orders in bulk to foreign intermediaries**

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

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

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

**3127. Training**

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

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

- (1) Despite any instruction or consent of the client, *best execution* of a client order for a listed security is subject to compliance with the Order Protection Rule under Part 6 of the *Trading Rules* by:

3129. **Disclosure of best execution policies**

- (1) A *Dealer Member* must disclose to its clients in writing the following:
- (i) a description of the *Dealer Member's* obligation under section 3120,
  - (ii) a description of the factors the *Dealer Member* considers for the purpose of achieving *best execution*, of:
    - (a) client orders for listed securities,
    - (b) client orders for foreign-exchange traded securities,
    - (c) client orders for listed derivatives,
    - (d) client transactions in over-the-counter securities, and
    - (e) client transactions in over-the-counter derivatives.
  - (v) a statement as to:
    - (a) whether fees are paid by the *Dealer Member* or payments or other compensation is received by the *Dealer Member* for a client order routed, or a trade resulting from a client order routed, to a ~~Marketplace~~ marketplace or intermediary identified pursuant to sub-clause clauses 3129(1)(iii)(a) or 3129(1)(iii)(b) above,
    - (b) the circumstances under which the costs associated with the fees paid by the *Dealer Member* or the compensation received by the *Dealer Member* will be passed on to the client, and
    - (c) whether routing decisions are made based on fees paid by the *Dealer Member* or payments received by the *Dealer Member*,

and,

(vi) if providing market data as a service to clients, a description of any market data that is missing, including an explanation of the risks of trading with incomplete trading data.

(2) A *Dealer Member* must provide separate disclosure for each class or type of client and each class or type of order or transaction if the factors and order handling and routing practices used for such clients, orders and transactions materially differ.

(3) A *Dealer Member* must identify in the disclosure:

(i) the class or type of client to which the disclosure applies,

(ii) the class or type of *securities* or derivatives order or transaction to which the disclosure applies, and

(iii) the date of the most recent changes to the disclosure.

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

### 3201. Introduction

(1) Rule 3200 sets out *Dealer Members'* obligations when opening new accounts and maintaining existing accounts. Rule 3200 is divided into seven parts as follows:

Part F – Additional Account Opening ~~Requirements for Options, Futures Contract and Futures Contract Options~~ and Updating Procedures for Derivatives Trading:

sets out additional account opening and updating procedures for ~~options, futures contracts and futures contract options~~ derivatives trading accounts.

[sections 3250 through ~~3260~~ 3255]

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

### 3207. Identification exceptions

- (1) Sections 3203, 3204 and 3206 do not apply to:
  - (i) An entity registered under *securities laws* to:
    - (a) engage in the business of trading or advising in *securities* or derivatives, or
    - (b) act as an investment fund manager,

## PART B – REQUIREMENTS FOR CLIENT ACCOUNTS

### 3218. Pre-trade disclosure of charges

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

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

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

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

~~3251. Reserved.~~

**OPTIONS ACCOUNTS**

**~~3252~~ 3251. Additional requirements when opening ~~an options~~ a derivatives account**

- (1) Before ~~entering~~ executing an initial ~~options trade~~ derivatives transaction in an account, whether the account is an advisory account, a discretionary account, a managed account or an order execution only account, a *Dealer Member* must:
  - (i) obtain a completed options derivatives account application from the client,
  - (ii) obtain a completed and signed options derivatives trading agreement from the client,
  - (iii) provide the client with the most recent options derivatives disclosure statement or similar disclosure document, and
  - (iv) record the relevant *designated Supervisor* Supervisors's approval ~~of each client account~~ in writing.
- (2) The relevant *designated Supervisor* Supervisors 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* Supervisors should restrict the account from using inappropriate strategies and note on the option derivatives

account approval any trading restrictions imposed and communicate those restrictions to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the account.

**32533252. Options Derivatives trading agreement**

- (1) A *Dealer Member's options derivatives* trading agreement must define the rights and obligations of the *Dealer Member* and the client and, at a minimum, must include the following:
- (i) the time periods during which the *Dealer Member* accepts orders for execution,
  - (ii) the *Dealer Member's* right to:
    - (a) exercise discretion in accepting orders,
    - (b) impose trading or position limits or closeout positions under specified conditions,
  - (iii) the extent of the Dealer Member's obligations when errors and omissions occur, right to:
    - (a) use client free credit balances within its own business or to finance other client account debits,
    - (b) use client account assets as collateral for the clients' debit and position obligations,
    - (c) raise money on and pledge assets held in the client's account
  - (iv) the ~~method for distributing exercise assignment notices~~ conditions under which the Dealer Member may apply the client's funds, securities or other property in the account or any other accounts of the client to satisfy outstanding debts or margin calls,
  - (v) the *Dealer Member's* ~~deadlines for a client to submit an exercise notice,~~ obligation to:
    - (a) if required under any applicable laws or requested to do so, provide information to regulators regarding position limit, exercise limit requirements and reporting derivative positions or derivative transactions related data,
    - (b) obtain client consent before the Dealer Member may take the other side to the client's transaction, and document whether the client provides such consent,
    - (c) address situations when errors and omissions occur,
  - ~~(vi) a notice that:~~
  - (vi) where discretionary authority is given to the Dealer Member:
    - (a) disclosures explaining the discretionary authority that has been given,
    - (b) the client's acknowledgement that is has consented to the giving of the authority,

provided the authority given is consistent with the requirements contained within Part G of Rule 3200 and unless the authority is given through the execution of a separate agreement.

(vii) the client's cumulative loss limit subject to the conditions set out in subsection 3252(2).

(viii) the client's obligation to:

(a) comply with Corporation requirements and the requirements of any entity through which the derivative is traded, cleared, or issued, including, without limitation, reporting, position limit and exercise limit requirements.

(b) maintain adequate margin collateral and to pay any debts owed to the Dealer Member.

(c) pay commission or other compensation, if any.

(d) pay interest, if any, on account debit balances.

(ix) the client's acknowledgement of:

(a) receiving the most recent derivatives risk disclosure statement,

(b) their obligation to inform and update the Dealer Member of any circumstances under which they would be considered to be an insider of a reporting issuer or any other issuer whose securities are publicly traded,

(x) any other matter required by a derivatives trading, clearing or issuing entity.

(xi) for options, futures contract options and similar derivatives:

(a) the Dealer Member's deadlines for a client to submit an exercise notice,

(b) the method the Dealer Member will use to distribute assignment notices,

(c) disclosures indicating that:

~~(a)(I)~~ the Dealer Member may set maximum limits on short positions,

~~(b)(II)~~ the Dealer Member may apply cash-only terms during the last 10 days before expiry, and

~~(c)(III)~~ the Corporation may impose other rules affecting existing or subsequent transactions.

~~(vii)(d)~~ the client's obligation to instruct the Dealer Member to close out positions before expiry,

~~(viii) the client's obligation to comply with the Corporation's requirements and any entity through which the options is traded, cleared, or issued, including, without limitation, complying with position and exercise limits,~~

~~(ix) the client's positive acknowledgement of receiving the current options disclosure statement, and~~

~~(x) any other matter required by an options trading, clearing or issuing entity.~~

(xii) for futures contracts, forward contracts, contracts for difference and similar derivatives, disclosures indicating that the Dealer Member requires the client to maintain minimum margin that is the greater of:

- (a) the amount the *derivatives marketplace* or clearing house prescribes,
- (b) Corporation's requirements, or
- (c) the Dealer Member's requirements.

(2) The client's cumulative loss limit under clause 3252(1)(vii),

- (i) applies to an account, where the transactions involve futures contracts, forward contracts, contracts for difference, futures contract options or similar derivative contracts, or highly-leveraged *securities or derivatives*,
- (ii) applies to a trading account, other than a hedging account, whether the account is an *advisory account, a discretionary account, a managed account or an order execution only account*, and
- (iii) must, notwithstanding obligations under Rule 3400, be determined on
  - (a) a lifetime basis and validated with the client on an annual basis, or
  - (b) an annual basis and updated annually.

**32543253. Letter of undertaking**

- (1) Instead of ~~an *options*~~ *derivatives* trading agreement, a Dealer Member may obtain a letter of undertaking for accounts where the client is ~~is-~~ classified as an *institutional client*.
  - (i) ~~— an *acceptable institution*,~~
  - (ii) ~~— an *acceptable counterparty*, or~~
  - (iii) ~~— a *regulated entity*.~~
- (2) The letter of undertaking must state :
  - (i) that the client agrees to ~~abide by~~ comply with *Corporation's requirements, any applicable laws*, and the requirements of any entity through which ~~options are the~~ *derivative is* traded ~~or, cleared,~~ or issued, including, ~~compliance with~~ without ~~limitation,~~ position ~~and~~ limit, exercise ~~limits~~ limit requirements and reporting ~~derivative positions or derivative transactions related data, and~~
  - (ii) if the client has an account that is charged interest on a debit balance, the conditions under which transfers of the client's funds, *securities* or other property may be made between accounts, unless these conditions are acknowledged by the client in another document.

**32553254. ~~Options~~ Derivatives risk disclosure statement**

- (1) A Dealer Member must:
  - (i) provide each ~~options~~ *derivatives retail* client with the ~~current options~~ most recent *derivatives risk* disclosure statement or other similar document, approved by Corporation before accepting an initial ~~options~~ *derivatives* order from the client,
  - (ii) obtain the client's ~~positive~~ acknowledgement of receipt of the ~~options disclosure~~ statement or ~~similar~~ document ~~described in~~ provided under clause ~~3255(1)~~ 3254(1)(i),

- (iii) provide each ~~options derivatives retail~~ client with any amendments to the ~~options disclosure~~ statement or ~~similar~~ document provided under clause 3254(1)(i), as approved by the Corporation
- (iv) maintain a record of the names and addresses of all clients to whom it has provided ~~an options disclosure~~ the statement; or similar document, ~~including any amendments and the date on which they were provided under clause 3254(1)(i) and any amendments under clause 3254(1)(iii) and the dates on which they were provided,~~ and
- (v) include with the risk disclosure statement or other similar document, for each order execution only account offering over-the-counter derivatives to retail clients, a disclosure of the percentage of such accounts that were profitable for each of the four most recent quarters.

**~~3256~~3255. Position and exercise limits**

- (1) A Dealer Member must comply with the requirements of any entity through which ~~it trades or clears an option:~~ the derivative is traded, cleared, or issued, including, without limitation, reporting, position limit and exercise limit requirements.
- ~~(2) A Dealer Member must comply with the position and exercise limits that apply under subsection 3256(1).~~

**~~FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS ACCOUNTS~~**

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

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

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

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

- ~~(xviii) — the client’s obligations to pay commission, if any,~~
- ~~(xix) — the client’s obligation to pay interest on debit balances in the account, if any,~~
- ~~(xx) — whether any discretionary authority is given to the *Dealer Member*, and if so, the discretionary authority must be clearly explained and specifically confirmed by the client, unless such discretionary authority is provided in another document. The authority must be consistent with the requirements contained within Part G of Rule 3200,~~
  - ~~(xxi) — the client’s positive acknowledgement that they have received the futures disclosure statement, and~~
  - ~~(xxii) — other than for a hedging account, a risk disclosure limit for futures trading indicating the maximum amount of cumulative losses the client can sustain which can be:
    - ~~(a) — on a life time basis, or~~
    - ~~(b) — on an annual basis, provided that it is updated annually.~~~~

**3259. — Letters of undertaking**

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

**3260. — Futures disclosure statement**

- ~~(1) — A *Dealer Member* must:
  - ~~(i) — provide the client with the current futures disclosure statement or other similar document, approved by *Corporation*, before accepting a *futures contract* or *futures contract options* account,~~
  - ~~(ii) — obtain the client’s positive acknowledgement of receipt of the futures disclosure statement or similar document described in clause 3260(1)(i),~~
  - ~~(iii) — provide each *futures contract* or *futures contract options* client with any amendments to the futures disclosure statement or similar document, approved by *Corporation*, and~~~~

- (iv) — ~~maintain records showing the names and addresses of all clients to whom it has sent a futures disclosure statement or similar documents, including any amendments and the date on which they were provided.~~

~~3261~~3256. **Futures porting disclosures**

- (1) Where the client account is subject to a *futures segregation and portability customer protection regime*, a *Dealer Member* must:
- (i) provide the client with a porting disclosure document on the benefits, risks and requirements for porting, including the conditions for porting positions to a replacement clearing member,
  - (ii) obtain the client's acknowledgement that the client has received and understood the porting disclosure document or similar document described in clause ~~3261~~3256(1)(i), and
  - (iii) notify the client of the obligation of the *Dealer Member* to provide the clearing corporation with information and reports related to the client's positions.

As described in IROC Notice 22-0191, clause ~~3261~~3256(1)(ii) is effective on December 31, 2024 for clients that existed prior to March 31, 2023.

~~3262~~3257. – 3269. Reserved.

**RULE 3300 | PRODUCT DUE DILIGENCE AND KNOW-YOUR-PRODUCT**

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**3301. Product Due Diligence**

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

*securities' or derivatives'* 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~~*securities or derivatives* 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**

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### **3402. Retail client suitability determination requirements**

- (1) Before a *Dealer Member* purchases, sells, withdraws, exchanges or transfers-out *securities or precious metals bullion, or transacts in derivatives* 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, derivative or precious metals bullion*, required in accordance with Rule 3300,

- (c) the impact of the action on the *retail client's* account, including the concentration of *securities, derivatives or precious metals bullion*, within the account and the liquidity of those *securities, derivatives or precious metals bullion*.
  - (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, derivatives or precious metals bullion*, 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, derivatives or precious metals bullion* 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, derivative or precious metals bullion*, or the *retail client's* account not satisfying subsection 3402(1),
  - (iv) the *Dealer Member* becomes aware of a change in a *security, derivative or precious metals bullion*, in the *retail client's* account that could result in the *security, derivative or precious metals bullion*, or account not satisfying subsection 3402(1), or
  - (v) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4).

**3403. Institutional client suitability determination requirements**

- (1) Subject to the applicable exemptions and exceptions 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 or precious metals bullion, or transact in any derivative*.
- (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, derivatives or precious metals bullion*,
- (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, derivative or precious metals bullion* and ancillary risks such as currency rate risk, and
- (vii) the complexity of the *securities, derivatives or precious metals bullion* involved.

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#### **3404. Exemptions from the suitability determination requirements**

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- (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~~ non-individual *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*.

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## RULE 3500 | SALES PRACTICES

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### 3502. Definitions

- (1) The following terms have the meaning set out below when used in Rule 3500:

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### 3503. Client priority

- (1) A *Dealer Member* must give priority to client orders or transactions over all other orders or transactions for the same *security, derivative or precious metals bullion* at the same price.
- (2) The *Dealer Member* must not give priority to orders or transactions for an account in which the *Dealer Member* or an *employee* or *Approved Person* of the *Dealer Member* has a direct or indirect interest, other than an interest in the commission charged.

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## RULE 3600 | COMMUNICATIONS WITH THE PUBLIC

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### 3601. Introduction

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

## PART A – ADVERTISEMENTS, SALES LITERATURE AND CORRESPONDENCE

~~3602. Reserved.~~

### ~~3603~~3602. Advertising

- (1) A *Dealer Member* must not issue, participate in or knowingly allow the use of its name in any *advertisement, sales literature or correspondence* that:
  - (i) contains an untrue statement or omission of a material fact or is otherwise false or misleading,
  - (ii) contains an unjustified promise of specific results,
  - (iii) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions,
  - (iv) contains any opinion or forecast of future events which is not clearly labeled as such,
  - (v) fails to fairly present the potential risks to the client,
  - (vi) is detrimental to the interests of the public, the *Corporation* or its *Dealer Members*, or
  - (vii) fails to comply with *Corporation requirements* or any *applicable laws*.
- (2) A *Dealer Member's* policies and procedures must specifically address the review and supervision of *advertisements, sales literature and correspondence* relating to its business.
- (3) A *Dealer Member* must ensure that the following items are approved by a *designated Supervisor* before use or publication:
  - (i) *research reports*,
  - (ii) market letters,
  - (iii) telemarketing scripts,
  - (iv) promotional seminar texts (excluding educational seminar texts),
  - (v) original *advertisements* or original template *advertisements*, and
  - (vi) any material containing performance reports or summaries that is used to solicit clients.
- (4) A *Dealer Member* must ensure that all *advertising, sales literature or correspondence* not listed in subsection ~~3603(3)~~3602(3) is reviewed in a manner appropriate to the type of material through:
  - (i) pre-use approval,
  - (ii) post-use review, or
  - (iii) post-use sampling.
- (5) A *Dealer Member* must provide reasonable assurance:
  - (i) its *employees* and *Approved Persons* are familiar with its policies and procedures relating to *advertisements, sales literature and correspondence*, and

- (ii) its policies and procedures include specific ongoing measures to provide reasonable assurance its policies and procedures are being complied with.
- (6) A *Dealer Member* must retain copies of all *advertisements, sales literature* and *correspondence* and all *records* of supervision for the period set out in section 3803. These items must be readily available for inspection by *Corporation*.

~~3604~~3603. – 3605. Reserved.

**RULE 3700 | REPORTING AND HANDLING OF COMPLAINTS, INTERNAL INVESTIGATIONS AND OTHER REPORTABLE MATTERS**

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**PART A – REPORTING REQUIREMENTS**

**3702. Reporting by an Approved Person to the Dealer Member**

- (1) An *Approved Person* must report to the *Dealer Member* any of the following matters within two *business days*:
  - (i) if there is a change in the *Approved Person's* registration information or Form 33-109F4,
  - (ii) if the *Approved Person* has reason to believe that he or she has or may currently be contravening any *Corporation requirements, securities laws, or any applicable laws,*
  - (iii) if the *Approved Person* is the subject of a written client complaint, or
  - (iv) if the *Approved Person* becomes aware of a client complaint, in writing or other form, about another *Approved Person* involving allegations of theft, fraud, misappropriation of funds ~~or securities~~ or other property, forgery, money laundering, market manipulation, insider trading, misrepresentation, or unauthorized trading.

**3703. Reporting by a Dealer Member to Corporation**

(2) A *Dealer Member* must report to the *Corporation* any of the following matters, within the time period and using the method prescribed by the *Corporation*:

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(iv) any time the *Dealer Member*, or a current or former *Approved Person* is subject to one of the following in any jurisdiction inside or outside of Canada, while in the employ of the *Dealer Member* or concerning matters that occurred while in the employ of the *Dealer Member*:

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(e) subject to a civil claim or arbitration notice involving any of the following:

(I) any matters related to *securities, derivatives or precious metals bullion*,

(II) any matter related to handling of client accounts or dealings with clients, or

(III) any matter that is the subject of any legislation, rules, regulations, or policies concerning *securities, ~~exchange contracts~~ derivatives or precious metals bullion* or financial services of any *securities, derivatives* or financial services regulatory or self-regulatory organization in any jurisdiction,

(v) the resolution of any matters set out in clause 3703(2)(iv),

(vi) any internal disciplinary action that is taken by a *Dealer Member* against an *Approved Person* as a result of:

(a) a client complaint within the meaning of clause 3703(2)(i),

(b) a *securities, derivatives or precious metals bullion* related civil claim or arbitration notice,

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## PART B – INTERNAL INVESTIGATIONS AND INTERNAL DISCIPLINE

### 3706. Requirement to commence an internal investigation

- (1) A *Dealer Member* must conduct an internal investigation if it appears that the *Dealer Member* or a current or former *Approved Person* while employed by the *Dealer Member* engaged in any of the following types of activities in any jurisdiction inside or outside of Canada:
  - (i) theft,
  - (ii) fraud,
  - (iii) misappropriation of funds ~~or securities~~ or other property,
  - (iv) forgery,
  - (v) money laundering,
  - (vi) market manipulation,
  - (vii) insider trading,
  - (viii) misrepresentation, or
  - (ix) unauthorized trading.

## PART E – CLIENT COMPLAINTS – RETAIL CLIENTS

### 3721. Application

- (1) Part E of Rule 3700 applies to complaints submitted by a *retail client* or a *person* authorized to act on behalf of a *retail client* in the following form:
  - (i) a recorded expression of dissatisfaction with a *Dealer Member* or *employee* ~~or agent~~ alleging misconduct, or
  - (ii) a verbal expression of dissatisfaction with the *Dealer Member* or *employee* ~~or agent~~ alleging misconduct where a preliminary investigation indicates that the allegation may have merit.
- (2) For the purpose of subsections 3720(1) and 3721(1), alleged misconduct includes, but is not limited to:
  - (i) allegations of breach of confidentiality, ~~theft~~, ~~fraud~~, ~~misappropriation~~ or misuse of funds ~~or securities~~ or other property, forgery, unsuitable investments, misrepresentation, or unauthorized trading relating to the client's account,

- (ii) other inappropriate financial dealings with clients, or
- (iii) engaging in *Dealer Member related activities* outside of the *Dealer Member*.

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**3728. Client complaint file**

- (1) A *Dealer Member* must retain the following information in accordance with section 3786 for each client complaint:
  - (i) the complainant's name,
  - (ii) the date of the complaint,
  - (iii) the nature of the complaint,
  - (iv) the name of the *individual* who is subject of the complaint,
  - (v) the *securities, derivatives, other property* or services which are the subject of the complaint,

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**3786. Client complaints**

- (1) A *Dealer Member* must keep an up-to-date record of all client complaints and associated documentation relating to the conduct, business and affairs of the *Dealer Member*, or an *employee or agent* of the *Dealer Member*, in a central and readily accessible place for a period of two years from the date of receipt of a client complaint.
- (2) For each client complaint file, a *Dealer Member* must maintain a copy for seven years in a location that is retrievable within a reasonable period of time.

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**RULE 3800 | DEALER MEMBER RECORDS AND CLIENT COMMUNICATIONS**

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**3802. Definitions**

- (1) The following terms have the meaning set out below when used in Rule 3800:

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<p>“market value”</p>	<p>For securities, precious metals bullion and <i>futures contracts</i>:</p> <p><del>(i) that are quoted on an active market, the published price quotation using:</del></p> <ul style="list-style-type: none"> <li><del>(a) for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on a consolidated pricing list or exchange quotation sheet as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be,</del></li> <li><del>(b) for unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date,</del></li> <li><del>(c) for all other unlisted securities (including unlisted <i>debt securities</i>) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of <i>debt securities</i>, based on a reasonable yield rate,</del></li> <li><del>(d) for <i>futures contracts</i>, the settlement price on the relevant date or last trading day prior to the relevant date,</del></li> <li><del>(e) for money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date,</del></li> <li><del>(f) for money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in sub-clause (i)(e) of this definition and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment, and</del></li> <li><del>(g) for money market repurchases with borrower call features, the borrower call price, and after making any adjustments considered by the <i>Dealer Member</i> to be necessary to accurately reflect the market value,</del></li> </ul> <p><del>(ii) where a reliable price cannot be determined:</del></p> <ul style="list-style-type: none"> <li><del>(a) the value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the security, either directly or indirectly, or</del></li> </ul>
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	<p><del>(b) where no observable market data related inputs are available, the value determined by using unobservable inputs and assumptions, or</del></p> <p><del>(c) where insufficient recent information is available or there is a wide range of possible values and cost represents the best value estimate within that range, cost and the Dealer Member must include the following notification or a notification that is substantially similar:</del></p> <p style="text-align: center;"><del>“There is no active market for this security so we have estimated its market value.”</del></p> <p><del>(iii) where a value cannot be reliably determined under clauses (i) and (ii) of this definition, no value shall be reported and the Dealer Member must include the following notification or a notification that is substantially similar:</del></p> <p style="text-align: center;"><del>“Market value not determinable.”</del></p>
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**3804. General requirements to maintain records**

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(2) The records required under subsection 3804(1) include, but are not limited to, records that do the following:

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- (vi) permit the identification and *segregation* of client cash, securities, [precious metals bullion](#) and other property,
- (vii) identify all transactions conducted on behalf of the *Dealer Member* and each of its clients, including the parties to the transaction and the terms of the purchase or sale,
- (viii) provide an audit trail for:
  - (a) client instructions ~~and~~, orders [and transactions](#), and
  - (b) each trade transmitted or [transaction](#) executed for a client or by the *Dealer Member* on its own behalf,
- (ix) permit the generation of account activity reports for clients,
- (x) provide securities, [derivatives and precious metals bullion](#) pricing as may be required by *securities laws*,

(xv) document compliance, training, ~~and~~ and supervision actions taken by the *Dealer Member*,

(xviii) demonstrate compliance with misleading communications requirements, ~~and~~

(xix) demonstrate compliance with the conditions for *temporary holds*, ~~and~~

(xx) demonstrate determination undertaken to classify a client as a *hedger* and as an *institutional client*.

### 3805. Trade blotters (records of original entry)

(1) A *Dealer Member* must maintain blotters or other *records* of original entry by itemizing daily, the following:

- (i) all purchases and sales of *securities* and precious metals bullion,
- (ii) all receipts and deliveries of *securities* (including certificate numbers) and precious metals bullion,
- (iii) all ~~trades~~ transactions in ~~futures contracts and futures contract options~~ derivatives,
- (iv) all receipts and disbursements of cash, and
- (v) all other debits and credits.

(2) The blotters or *records* of original entry must contain, at a minimum, the following:

- (i) in the case of trades in *securities* and precious metals bullion:
  - (a) the ~~name~~ description, class and designation of *securities* and precious metals bullion,
  - (b) the number, value or amount of *securities* and precious metals bullion and the unit and aggregate purchase or sale price (if any),
  - (c) the name or other designation of the *person* from whom or to whom the *securities* and precious metals bullion were purchased or received or ~~to whom they were~~ sold or delivered,
  - (d) the trade dates, and
  - (e) the applicable account in which each transaction was effected,

- (ii) in the case of ~~trades~~transactions in futures contracts, forward contracts, contracts for difference and similar derivative contracts:
- (a) the ~~commodity and quantity bought or sold~~contract underlying interest,
  - (b) the contract quantity bought or sold,
  - (c) if applicable, the quantity of the underlying interest bought or sold,
  - (d) if applicable, the contract delivery month and year date,
  - ~~(e)~~(e) the price at which the contract was entered into,
  - ~~(d)~~ the futures exchange,
  - ~~(e)~~(f) the transaction dates,
  - (g) the applicable account in which each transaction was effected,
  - (h) if applicable, the name of the derivatives marketplace,
  - (i) if applicable, the name of the dealer ~~if any~~, used by the *Dealer Member* as its *agent* to effect the ~~trade~~,
  - ~~(f)~~ the trade dates,
  - ~~(g)~~ the applicable account in which each transaction was effectedtransaction, and
  - ~~(h)~~(j) if applicable, whether the transactions are opening or closing transactions (where required by the *marketplace*), ~~and~~
- (iii) in the case of ~~trades in~~transactions in options contracts, futures contract options and similar derivative contracts:
- (a) the ~~type and number~~contract underlying interest,
  - (b) the contract quantity bought or sold,
  - (c) the contract type,
  - (d) the contract premium,
  - ~~(e)~~(e) the contract exercise or striking price,
  - (f) the contract declaration date,
  - (g) the transaction dates,
  - (h) the applicable account in which each transaction was effected,
  - (i) if applicable:
    - (I) the futures contract that is the subject of the *futures contract option*,
    - ~~(d)~~(II) the delivery month and year of the futures contract that is the subject of the *futures contract option*,
  - ~~(e)~~ the declaration date,
  - ~~(f)~~ the striking price,
  - ~~(g)~~ the futures exchange
  - (j) if applicable, the name of the derivatives marketplace,
  - ~~(h)~~(k) if applicable, the name of the dealer ~~if any~~, used by the *Dealer Member* as its *agent* to effect the ~~trade~~,
  - ~~(i)~~ the trade dates,
  - ~~(j)~~ the applicable account in which each transaction was effected, and

~~(\*)~~(l) if applicable, whether the transactions are opening or closing transactions (where required by the *marketplace*).

**3807. Itemized client ledger accounts**

- (1) A *Dealer Member* must maintain ledger accounts (or other *records*) itemizing separately as to each cash and margin account of every client, all purchases, sales, receipts, deliveries and other ~~trades~~transactions of *securities*, ~~futures contracts and futures contract options~~derivatives and precious metals bullion for such account and all other debits and credits to such account.
- (2) When a *Dealer Member* receives *securities* and property to margin, *guarantee*, or secure the trades or ~~contracts~~transactions of a client's account, the ledger must contain, at a minimum, the following:
  - (i) a description of the *securities*, precious metals bullion or property received,
  - (ii) the date when received,
  - (iii) the identity of any deposit institution where such *securities*, precious metals bullion or property are *segregated*,
  - (iv) the dates of deposit and withdrawal from such institutions, and
  - (v) the date of return of such *securities*, precious metals bullion or property to the client or other disposition thereof, together with the facts and circumstances of such other disposition.

**3808. Client account statements**

- (1) A *Dealer Member* must make available daily account information, similar to the information included in a statement as prescribed under subsection 3808(4), to each retail client who at the end of the day has in their account:
  - (i) an open futures contract, forward contract, contract for difference or similar derivative contract position, or
  - (ii) an unexpired and unexercised option contract, futures contract option or similar derivative contract position.
- (2) A *Dealer Member* must send a monthly statement to each client who:
  - (i) requests to receive a client account statement on a monthly basis, or
  - (ii) at the end of the month has in their account:
    - (a) had a transaction during the month,
    - (b) has experienced a cash or ~~security~~account position modification, other than dividend or interest payments,

- (c) an unexpired and unexercised ~~open option contract~~, futures contract option, ~~forward contract, contract for difference~~ or similar *derivative* contract position, or
- (d) an open futures contract, ~~or exchange contract position~~ forward contract, contract for difference or similar *derivative* contract position, ~~in their account.~~

~~(2)~~(3) A Dealer Member must send a quarterly statement to each client who, at the end of the quarter has:

- (i) a debit or credit balance, or
- (ii) one or more ~~security positions~~ securities, derivatives or precious metals bullion (including securities or precious metals bullion held in *safekeeping* or in *segregation*), in their account.

~~(3)~~(4) The statement must include all of the following information about the client's account at the end of the period for which the statement is made:

- (i) the opening cash balance in the account,
  - (ii) all deposits, credits, withdrawals and debits made to the account,
  - (iii) the closing cash balance in the account,
  - (iv) the ~~name~~ description and quantity of each *security, derivative and precious metals bullion* position in the account,
  - (v) for each *security, derivative and precious metals bullion* position in the account:
    - (a) where the *market value* is determinable:
      - (I) the *market value*,
      - (II) the total *market value*, and
      - (III) if applicable, the notification required pursuant to ~~clause (iii)~~ either clause (i)(b) or clause (ii)(b) of the definition of *market value* in subsection ~~3802(1)~~ 1201(2)
    - (b) where the *market value* is not determinable, the notification required pursuant to ~~clause (iii)~~ either clause (ii)(b) or clause (ii)(c) of the definition of *market value* in subsection ~~3802(1)~~ 1201(2),
  - (vi) where the client is a *retail client* and the statement is a quarterly statement, the statement must also include:
    - (a) for each *security, derivative and precious metals bullion* position in the account:
      - (I) where the *cost* is determinable, either the *cost* or the total *cost*, and
      - (II) where the *cost* is not determinable, the notification required pursuant to clause (iii) of the definition of *cost* in subsection 3802(1),
- and
- (b) a notation setting out the definitions of the calculation methodologies used to calculate the individual position *cost* information included in the

statement, provided that where the individual position cost information included in the statement is calculated using:

- (I) the *book cost* calculation methodology, the language set out in the definition of *book cost* in subsection 3802(1) or language that is substantially similar must be used as the notation, and
  - (II) the *original cost* calculation methodology, the language set out in the definition of *original cost* in subsection 3802(1) or language that is substantially similar must be used as the notation,
- (vii) the total *market value* of all cash ~~and~~ *security, derivative and precious metals bullion* positions in the account, and
- (viii) where the client is a *retail client* and the statement is a quarterly statement, the total *cost* of all cash ~~and~~ *security, derivative and precious metals bullion* positions in the account.

~~(4)~~(5) In the case of clients with any *security, derivative and precious metals bullion* positions which might be subject to a deferred sales charge if they are sold, a notation identifying each ~~security~~ position that might be subject to a deferred sales charge.

~~(5)~~(6) In the case of clients with any ~~unexpired and unexercised futures contract options~~, open futures contracts, ~~or exchange~~forward contracts, contracts for difference or similar derivative contracts, the daily and monthly ~~statement~~statements must contain, at a minimum, the following:

- (i) ~~each unexpired and unexercised futures~~the description and quantity of each open contract ~~option, and~~
- ~~(ii) — the striking price of each unexpired and unexercised futures contract option,~~
- ~~(iii) — each open futures contract, and~~
- ~~(iv)~~
- (ii) the price at which each open ~~futures~~ contract was entered into.

~~(6)~~(7) In the case of clients with any unexpired and unexercised option contracts, futures contract options or similar derivative contracts, the daily and monthly statements must contain, at a minimum, the following:

- (i) — the description and quantity of each unexpired and unexercised contract, and
- (ii) — the exercise or striking price of each unexpired and unexercised contract.

(8) In the case where a *Dealer Member* has acted as an agent in connection with a liquidating ~~trade~~transaction in a futures contract or similar listed derivative contract, the monthly statement must contain, at a minimum, the following:

- (i) the dates of the initial transaction and liquidating trade,
- (ii) the commodity and quantity bought and sold,
- (iii) the futures ~~exchange~~marketplace upon which the contract was traded,
- (iv) the delivery month and year,

- (v) the prices on the initial transaction and on the liquidating trade,
- (vi) the gross profit or loss on the transactions,
- (vii) the commission, and
- (viii) the net profit or loss on the transactions.

~~(7)~~(9) In the case of transactions involving :

- ~~(i) securities of the Dealer Member or a~~ (i) securities of the Dealer Member, or
- ~~(ii) securities of a related issuer of the Dealer Member, or~~ (ii) securities of a related issuer of the Dealer Member, or
- ~~(iii) securities of a connected issuer of the Dealer Member, or~~ (iii) securities of a connected issuer of the Dealer Member, or
- ~~(iv) securities referenced in clauses 3808(9)(i) through 3808(9)(iii) that are in the course of a distribution to the public, securities of a connected issuer of the Dealer Member or~~ (iv) securities referenced in clauses 3808(9)(i) through 3808(9)(iii) that are in the course of a distribution to the public, securities of a connected issuer of the Dealer Member or
- ~~(v) derivatives whose underlying interest is referenced in clauses 3808(9)(i) through 3808(9)(iv),~~ (v) derivatives whose underlying interest is referenced in clauses 3808(9)(i) through 3808(9)(iv),

the monthly statement must ~~state~~ indicate that the ~~transactions involve securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member or a derivative whose underlying interest is a security of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be.~~ transactions involve securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member or a derivative whose underlying interest is a security of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be.

~~(8)~~(10) If a Dealer Member does not deposit clients' free credit balances in a trust bank account, the client statement must include the following notation:

"Any free credit balances (except for RRSP funds held in trust) represent funds payable on demand which, although properly recorded in our books, are not segregated and may be used in the conduct of our business."

~~(11)~~ In the case of derivatives transactions executed for an institutional client under a give-up agreement, the executing Dealer Member shall not be required to send a monthly statement, provided

- ~~(i) the client, executing Dealer Member and Dealer Member responsible to clear and settle the transaction are parties to the give-up agreement~~ (i) the client, executing Dealer Member and Dealer Member responsible to clear and settle the transaction are parties to the give-up agreement
- ~~(ii) the clearing Dealer Member is responsible, under the give-up agreement, for sending a monthly statement to the client, and~~ (ii) the clearing Dealer Member is responsible, under the give-up agreement, for sending a monthly statement to the client, and
- ~~(iii) the executing Dealer Member:~~ (iii) the executing Dealer Member:
  - ~~(a) executes the transaction in accordance with the client's instructions to give up such transaction to the clearing Dealer Member,~~ (a) executes the transaction in accordance with the client's instructions to give up such transaction to the clearing Dealer Member,
  - ~~(b) provides limited transaction execution service to the client under the give-up agreement and does not maintain client account documentation, or receive the client's money, securities, margin or collateral, and~~ (b) provides limited transaction execution service to the client under the give-up agreement and does not maintain client account documentation, or receive the client's money, securities, margin or collateral, and
  - ~~(c) provides the clearing Dealer Member a monthly invoice with details of the give-up transactions of the client and the clearing Dealer Member reconciles the transactions details with its own record.~~ (c) provides the clearing Dealer Member a monthly invoice with details of the give-up transactions of the client and the clearing Dealer Member reconciles the transactions details with its own record.

**3809. Report on client positions held outside of the Dealer Member**

- (1) A *Dealer Member* must send a quarterly report on *outside holdings* (report to be called “Report on client positions held outside of the *Dealer Member*”) to each *retail client* who, at the end of the quarter holds outside of the *Dealer Member’s* control, either in book-based client name or physical client name, one or more positions:
  - (i) in *securities* issued by a scholarship plan, a mutual fund or an investment fund that is a labour sponsored investment fund corporation, or labour sponsored venture capital corporation, under *applicable laws* and the *Dealer Member* is the dealer of record for the client on the records of the issuer of the *security* or the records of the issuer’s investment fund manager, and
  - (ii) in any other *security, derivative or precious metals bullion positions* on which the *Dealer Member* receives continuing compensation payments related to the client’s ownership of the *security position* from the issuer of the *security position*, the investment fund manager of the issuer or any other party.
- (2) The report must include all of the following information about the client’s *outside holdings* at the end of the period for which the report is made:
  - (i) the name and quantity of each *security* position,
  - (ii) for each *security* position:
    - ~~(a)~~ where the *market value* is   :
      - (a) determinable:
        - (I) the *market value*,
        - (II) the total *market value*, and
        - (III) if applicable, the notification required pursuant to clause ~~(ii)~~(i)(b) of the definition of *market value* in subsection ~~3802(1)~~1201(2), and
      - (b) ~~where the market value is~~ not determinable, the notification required pursuant to clause ~~(iii)~~(i)(c) of the definition of ~~market value~~*market value* in subsection ~~3802(1)~~1201(2),
    - (iii) for each *security* position:
      - ~~(a)~~ where the *cost* is   :
        - (a) determinable, either the *cost* or the total *cost*, and
        - (b) ~~where the cost is~~ not determinable, the notification required pursuant to clause (iii) of the definition of *cost* in subsection 3802(1),
      - (iv) a notation setting out the definitions of the calculation methodologies used to calculate the individual position *cost* information included in the statement, provided that where the individual position *cost* information included in the statement is calculated using:
        - (a) the *book cost* calculation methodology, the language set out in the definition of *book cost* in subsection 3802(1) or language that is substantially similar must be used as the notation, and

- (b) the *original cost* calculation methodology, the language set out in the definition of *original cost* in subsection 3802(1) or language that is substantially similar must be used as the notation,
  - (v) the total *market value* of all ~~security~~ positions,
  - (vi) the total *cost* of all ~~security~~ positions, and
  - (vii) the name of the party that holds or controls each ~~security~~ position and a description of the way it is held.
- (3) In the case of clients with any *outside holdings* which might be subject to a deferred sales charge if they are sold, the report must include a notation identifying each ~~security~~ position that might be subject to a deferred sales charge.
- (4) The report must indicate:
- (i) that the client's *outside holdings* are not covered by the *Canadian Investor Protection Fund*, and
  - (ii) whether the ~~securities~~ *client's outside holdings* are covered under any other investor protection fund approved or recognized by a Canadian *securities regulatory authority* and, if they are, the name of the fund.

**3810. Performance report**

- (1) A *Dealer Member* must send an annual performance report to each *retail client* who, at the end of the 12-month period covered by the report has:
- (i) an account with:
    - (a) a debit or credit balance, or
    - (b) one or more *security, derivative or precious metals bullion* positions (including ~~securities~~ *security or precious metals bullion positions* held in *safekeeping* or in *segregation*), or
  - (ii) holds one or more *outside holdings* for which quarterly reporting pursuant to section 3809 is required,
- and
- (iii) there is at least one ~~security~~ *position* in the account or at least one *outside holding* for which quarterly reporting pursuant to section 3809 is required, for which a *market value* can be determined pursuant to either clause (i) or clause (ii) of the definition of *market value* in subsection ~~3802(1)~~ 1201(2),
- and
- (iv) the client's account was opened at least 12 months ago.
- (2) The annual performance report must include all of the following combined information about the client's account and *outside holdings* at the end of the period for which the report is made:
- (i) the total combined *market value* of all cash ~~and~~, *security, derivative and precious metals bullion* positions:

- (a) as at July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, as at the account opening date,
  - (b) as at the beginning date of the 12-month period covered by the report, and
  - (c) as at the end date of the report,
- (ii) the total combined *market value* of all deposits and transfers in of cash ~~and~~ security, derivative and precious metals bullion positions:
- (a) in the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date, to the end date of the report, and
  - (b) in the 12-month period covered by the report,
- (iii) the total combined *market value* of all withdrawals and transfers out of cash ~~and~~ security, derivative and precious metals bullion positions:
- (a) In the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report, and
  - (b) In the 12-month period covered by the report,
- (iv) the total combined change in *market value* of all cash ~~and~~ security, derivative and precious metals bullion positions:
- (a) for the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report, determined using the following formula:
 

Total *market value* change from account opening

    - = Closing *market value*  
[Sub-clause 3810(2)(i)(c)]
    - Account opening *market value*  
[Sub-clause 3810(2)(i)(a)]
    - Deposits and transfers in  
[Sub-clause 3810(2)(ii)(a)]
    - + Withdrawals and transfers out  
[Sub-clause 3810(2)(iii)(a)], and
  - (b) for the 12-month period covered by the report, determined using the following formula:
 

Total 12-month *market value* change

    - = Closing *market value*  
[Sub-clause 3810(2)(i)(c)]
    - Account opening *market value*  
[Sub-clause 3810(2)(i)(b)]

- Deposits and transfers in  
[Sub-clause 3810(2)(ii)(b)]
- + Withdrawals and transfers out  
[Sub-clause 3810(2)(iii)(b)],

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- (5) For the purposes of this section 3810, the information in respect of ~~securities~~cash, security, derivative and precious metals bullion positions of a client required to be reported under section 3808 must be provided in a separate report for each of the client's accounts.
- (6) For the purposes of this section 3810, the information in respect of ~~securities~~cash, security, derivative and precious metals bullion positions of a client required to be reported under section 3809 must be included in the report for each of the client's accounts through which ~~the securities~~these positions were transacted.
- (7) Subsections 3810(5) and 3810(6) do not apply if the *Dealer Member* sends a single report to the client that consolidates the required information for more than one of a client's accounts and any ~~securities~~outside holdings of a client required to be reported under section 3809 provided:
  - (i) the client has consented in writing to receiving a consolidated report, and
  - (ii) the report that is sent specifies the accounts and ~~securities~~outside holdings for which the consolidated information is being provided.
- (8) All annual performance reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to subsection 3810(7), must:
  - (i) be prepared for the same 12-month period, and
  - (ii) include aggregated information for the same accounts and ~~securities~~outside holdings,
 as the annual fee/charge reports that are sent to the same client.
- (9) Where a retail client has an account with positions in futures contracts, forward contracts, contracts for difference, foreign exchange contracts and similar derivative contracts, the Dealer Member shall not be required to send an annual performance report under this section 3810, provided the Dealer Member sends the client a monthly or quarterly statement which includes the following information about the client's account in addition to the requirements set out under section 3808:

- (i) the total profit or loss realized on positions exercised, expired or closed during the period covered.
  - (ii) the unrealized profit or loss for each opened position at the end of the period covered.
  - (iii) the profit or loss realized for each positions exercised, expired or closed during the period covered, and
  - (iv) a disclosure explaining to the client that for the period covered, the statement does not provide information on the changes in *market value* that occurred during the period covered, but provides the client with:
    - (a) profit or loss realized on positions exercised, expired or closed, and
    - (b) unrealized profit or loss for opened position at the end of the period covered.
- (10) For purposes of subsection 3810(9), all deposits, credits, withdrawals and debits made in the account can be disclosed as a single net deposit or net withdrawal in the statement.

**3811. Fee/charge report**

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- (2) The annual fee/charge report must include all of the following combined information about the client's account and *outside holdings* at the end of the period for which the report is made:
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  - (iv) the total amount of each type of *transaction charge* related to the purchase or sale of *securities* and precious metals bullion and transactions in *derivatives* paid by the client during the period covered by the report,
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    - .
    - .
  - (viii) the total amount of each type of payment, other than *trailing commissions*, that is made to the *Dealer Member* or any of its registered *individuals* by a *securities* or *derivatives* issuer or another registrant in relation to registerable services provided to the client during the period covered by the report, accompanied by an explanation of each type of payment, and
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- (3) For the purposes of this section 3811, the information in respect of ~~securities~~security, derivative and precious metals bullion positions of a client required to be reported under section 3808 must be provided in a separate report for each of the client's accounts.
- (4) For the purposes of this section 3811, the information in respect of *outside holdings* of a client required to be reported under section 3809 must be included in the report for each of the client's accounts through which ~~the securities~~these positions were transacted.
- (5) Subsections 3811(3) and 3811(4) do not apply if the *Dealer Member* sends a single report to the client that consolidates the required information for more than one of a client's accounts and any *outside holdings* of a client required to be reported under section 3809 provided:
  - (i) the client has consented in writing to receiving a consolidated report, and
  - (ii) the report that is sent specifies the accounts and ~~securities~~outside holdings for which the consolidated information is being provided.
- (6) All annual fee/charge reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to subsection 3811(5), must:
  - (i) be prepared for the same 12-month period, and
  - (ii) include aggregated information for the same accounts and ~~securities~~outside holdings,as the annual performance reports that are sent to the same client.
- (7) Where a *retail client* has an account with positions in futures contracts, forward contracts, contracts for difference, foreign exchange contracts and similar *derivative contracts*, the *Dealer Member* shall not be required to send an annual fee/charge report under this section 3811, provided the *Dealer Member* sends the client a monthly or quarterly statement which includes the following information about the client's account for the period covered:
  - (i) itemized transaction charge and operating charge information in accordance with this section 3811, and
  - (ii) if applicable, itemized information on compensation received by the *Dealer Member* in connection with a transaction.
- (8) For purposes of clause 3811(7)(ii), the following information will be acceptable where the compensation received by the *Dealer Member* relates to a bulk distribution arrangement:
  - (i) a calculated product distribution compensation amount, or
  - (ii) where the distribution compensation amount cannot be unbundled from the manufacturer compensation amount,
    - (I) the entire compensation amount, and
    - (II) a note explaining that the amount disclosed is the entire product compensation amount.

**3813. Securities and precious metals bullion record**

- (1) A Dealer Member must maintain a ~~securities~~ record or a ledger, ~~for each security~~ as of the trade or settlement dates, ~~of all long and short positions~~ (including ~~securities~~ positions in safekeeping) ~~carried~~ for each long and short security and precious metals bullion position maintained for the Dealer Member's account or for the account of clients.
- (2) The ~~securities~~ record or ledger must contain the following:
  - (i) the location of all ~~securities~~ long ~~and~~ positions,
  - (ii) the offsetting position to all ~~securities~~ short positions, and
  - (iii) the name or designation of the account in which each position is ~~carried~~ maintained.

**3814. ~~Commodity~~ Derivatives record**

- (1) A Dealer Member must maintain a ~~commodity~~ record or ledger, ~~for each commodity~~ as of the ~~trade~~ transaction date, ~~of all~~ for each long ~~positions or~~ and short ~~positions in futures contracts~~ ~~carried~~ derivatives position maintained for the Dealer Member's account or for the account of clients.
- (2) The ~~commodity~~ record or ledger must contain the name or designation of the account in which each position is ~~carried~~ maintained.
- (3) As part of the records required under subsection 3814(1), a Dealer Member must maintain a daily record that separately identifies the client positions and associated collateral for futures contracts and futures contract options that are subject to the domestic gross customer margin model.
- (4) A Dealer Member must maintain a client identification record, for accounts subject to the domestic gross customer margin model, that includes the client identification information required by the clearing corporation for porting of client accounts.

**3815. Memoranda of orders, transactions and other instructions**

- (1) A Dealer Member must maintain an adequate record of each order, transaction or other instruction given or received for all purchases and sales of securities and ~~trades in futures contract and futures contract options~~ precious metals bullion and transactions in derivatives, whether executed or unexecuted, showing at a minimum the following:
  - (i) the terms and conditions of the order, transaction or instruction and of any modification or cancellation thereof,
  - (ii) the account to which the order, transaction or instruction relates,
  - (iii) the time of entry of the order, transaction or instruction and, where ~~the order~~ it is entered pursuant to the exercise of discretionary power of a Dealer Member, a statement to that effect,
  - (iv) where the order, transaction or instruction relates to an omnibus account, the component accounts within the omnibus account on whose behalf ~~the order~~ it is to be executed, and the allocation among the component accounts intended on execution,
  - (v) to the extent feasible, the time of execution or cancellation,

- (vi) the price at which the order, transaction or instruction was executed,
  - (vii) the time of report of execution, and
  - (viii) whether the transactions are opening or closing transactions (where required by the *marketplace*).
- (2) A *Dealer Member* must record the name, sales number, or designation of the *person* placing the order, transaction or instruction, if ~~the order or instruction~~ it is placed by an *individual* other than:
- (i) the account holder, or
  - (ii) an *individual* authorized in writing to direct orders or instructions for the account.

### 3816. Trade confirmations

- (1) A *Dealer Member* must promptly send the client a written confirmation of all purchases and sales of *securities* and ~~of all trades in futures contracts and futures contract options~~ precious metals bullion and transactions in derivatives, and copies of notices of all other debits and credits of money, *securities*, property, proceeds of loans and other items for the client's account.
- (2) The written confirmation must contain, at a minimum, the day and the *marketplace* or *marketplaces* where the trade took place, or *marketplace* disclosure language acceptable to the *Corporation*; the fee or other charge, if any, levied by any *securities regulatory authority* in connection with the trade; the name of the salesperson, if any, involved in the transaction; the name of the dealer, if any, used by the *Dealer Member* as its agent to effect the trade, the settlement date of the trade:
- and
- (i) in the case of trades in *securities* and precious metals bullion:
    - (a) the quantity and description ~~of the security~~,
    - (b) the consideration,
    - (c) whether or not the *person* or company that executed the trade acted as principal or agent, and
    - (d) must maintain and make available to the client or the *Corporation*, upon request, the name of the *person* or company from or to or through whom the *security* or precious metals bullion was bought or sold, if acting as an agent in a trade upon an equity *marketplace*,
- and
- (ii) in the case of ~~trades~~ transactions in futures contracts, forward contracts, contracts for difference, foreign exchange contracts and similar derivative contracts:
    - (a) the ~~commodity and quantity bought or sold~~, contract underlying interest,
    - (b) the contract quantity bought or sold,
    - (c) if applicable, the quantity of the underlying interest bought or sold,
    - (d) the contract delivery date, and
    - (e) the price at which the contract was entered into, ~~and~~

~~(c) — the delivery month and year,~~

and

(iii) in the case of ~~trades~~transactions in options contracts, futures contract options and similar derivative contracts:

(a) the contract underlying interest,

(b) the contract quantity bought or sold,

(c) the contract type,

(d) the contract premium,

(e) the contract exercise or striking price,

(f) the contract declaration date,

(g) if applicable:

(I) the futures contract that is the subject of the futures contract option,

(II) the date of the futures contract that is the subject of the futures contract option,

~~(a) — the type and number of futures contract options,~~

~~(b) — the premium,~~

~~(c) — the delivery month and year of the futures contract that is the subject of the futures contract option,~~

~~(d) — the declaration date, and~~

~~(e) — the striking price,~~

and

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(v) in the case of ~~confirmations~~transactions in over-the-counter securities other than ~~confirmations relating to trades involving debt securities and other over-the-counter traded securities:~~

(a) where the confirmation is sent to a *retail client*:

(I) the amount of each *transaction charge*, deferred sales charge or other charge in respect of the transaction, and

(II) the total amount of all charges in respect of the transaction,

(b) where the confirmation is sent to an *institutional client*:

(I) the commission, if any, charged in respect of the transaction,

and

(vi) in the case of transactions in debt securities:

(a) in the case of a purchase, where the *debt security* is a stripped coupon or a residual debt instrument:

- (I) the yield thereon calculated on a semi-annual basis in a manner consistent with the yield calculation for the debt instrument which has been stripped, and
- (II) the yield thereon calculated on an annual basis in a manner consistent with the yield calculation for other *debt securities* which are commonly regarded as being competitive in the market with such coupons or residuals such as guaranteed investment certificates, bank deposit receipts and other indebtedness for which the term and interest rate is fixed,

and

(vii) in the case of ~~all~~ transactions in

(a) ~~over-the-counter traded securities~~ other than *debt securities*, ~~including contracts for difference and foreign exchange contracts, but excluding primary market transactions and~~ or a security that is undergoing a primary market transaction, and over-the-counter derivatives other than contracts with non-standardized ~~contract~~ terms that are customized to the needs of a particular client and for which there is no secondary market, and

(b) ~~the trade~~ confirmation is being sent to a *retail client*, either of the following:

(a) the total amount of any mark-up or mark-down, commission or other service charges the *Dealer Member* applied to the transaction,

(b) one of the following ~~notification~~ notifications or a notification that is substantially similar:

“Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale).”

“Dealer firm remuneration has been included as an adjustment to the price of this derivatives transaction.”,

and

(viii) in the case of transactions involving ~~securities of the Dealer Member or a~~ :

(a) securities of the Dealer Member, or

(b) securities of a related issuer of the Dealer Member, or

(c) securities of a connected issuer of the Dealer Member, or

(d) securities referenced in sub-clauses 3816(2)(viii)(a) through 3816(2)(viii)(c) that are in the course of a distribution to the public, ~~securities of a connected issuer of the Dealer Member, such or~~

(e) derivatives whose underlying interest is referenced in sub-clauses 3816(2)(viii)(a) through 3816(2)(viii)(d),

the trade confirmation shall state must indicate that the transactions involve securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member or a derivative whose underlying interest is a security of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be,

and

- (ix) in the case of a *Dealer Member controlled* by or affiliated with a financial institution, the relationship between the *Dealer Member* and the financial institution shall be disclosed on each trade confirmation issued in connection with a trade in *securities* of a mutual fund sponsored by the financial institution or a corporation *controlled* by or affiliated with the financial institution, except where the names of the *Dealer Member* and the mutual fund are sufficiently similar to indicate that they are *controlled* by or *affiliated* with the same financial institution,

and

- (x) notwithstanding the provisions of this section 3816, a *Dealer Member* shall not be required to provide a confirmation to a client in respect of ~~a trade~~:

(a) a trade in a *managed account*, provided ~~that~~:

- (I) prior to the trade, the client has consented in writing to waive the trade confirmation requirement,
- (II) the client may terminate a waiver by notice in writing. The termination notice shall be effective upon receipt of the written notice by the *Dealer Member*, for trades following the date of receipt,
- (III) the provision of a confirmation is not required under any *securities laws* of the jurisdiction in which the client resides or the *Dealer Member* has obtained an exemption from any such *applicable laws* by the responsible *securities regulatory authority*, and
- (IV) where:
  - (A) a *person* other than the *Dealer Member* manages the account:
    - (i) a trade confirmation has been sent to the manager of the account, and
    - (ii) the *Dealer Member* complies with section 3808, or
  - (B) the *Dealer Member* manages the account:
    - (i) the account is not charged any commissions or fees based on the volume or value of transactions in the account,
    - (ii) the *Dealer Member* sends to the client a monthly statement that is in compliance with section 3808 and

contains all of the information required to be contained in a confirmation under this section 3816 except:

- (a) the day and the *marketplace* or *marketplaces* upon which the trade took place, or *marketplace* disclosure language acceptable to the *Corporation*,
  - (b) the fee or other charge, if any, levied by any *securities regulatory authority* in connection with the trade,
  - (c) the name of the salesperson, if any, in the transaction,
  - (d) the name of the dealer, if any, used by the *Dealer Member* as its agent to effect the trade, and
  - (e) must maintain and make available to the client or the *Corporation*, upon request, the name of the *person* or company from or to or through whom the security was bought or sold, if acting as an agent in a trade upon an equity *marketplace*,
- (iii) the *Dealer Member* maintains the information not required to be in the monthly statement pursuant to sub-paragraph 3816(2)(x)(a)(IV)(B)(ii) and discloses to the client on the monthly statement that such information will be provided to the client on request.
- (b) ~~in a trade in a~~ delivery against payment ~~and/or~~ receipt against payment trade accounts, provided ~~that~~:
- (I) the trade is either subject to or matched in accordance with broker-to-broker or institutional trade matching requirements under *Corporation requirements* or *securities laws*,
  - (II) the *Dealer Member* maintains an electronic audit trail of the trade under *Corporation requirements* or *securities laws*,
  - (III) prior to the trade, the client has agreed in writing to waive receipt of trade confirmations from the *Dealer Member*,
  - (IV) the client is either:
    - (A) another *Dealer Member* who is reporting or affirming trade details through an acceptable trade matching utility in accordance with sections 4751, 4753, 4754, 4755 and 4756, or
    - (B) an *institutional client* who is matching delivery against payment/ receipt against payment account trades (either

directly or through a custodian) in accordance with National Instrument 24-101,

- (V) the *Dealer Member* and the client have real-time access to, and can download into their own system from the acceptable trade matching utility's or the matching service utility's system, trade details that are similar to the prescribed information under this section 3816, and
- (VI) for trades subject to broker-to-broker trade matching, the *Dealer Member* for the last four quarters:
  - (A) has not filed more than two reports under section 4756 informing the *Corporation* that it has not met the quarterly compliant trade percentage; and
  - (B) none of the reports it filed under section 4756 informing the *Corporation* that it has not met the quarterly compliant trade percentage has a quarterly compliant trade percentage of less than 85%.
- (VII) for trades subject to institutional trade matching, the *Dealer Member* has a quarterly compliant trade percentage of greater than or equal to 85% for at least two of the last four quarters.

A client may terminate their trade confirmation waiver, referred to in sub-clause 3816(2)(x)(b), by providing a written notice confirming this fact to the *Dealer Member*. The termination notice takes effect upon the *Dealer Member's* receipt of the notice.

**~~3817. — Puts, calls and other options~~**

- (c) a swap transaction, provided:
  - (I) the *Dealer Member* enters into a standard industry agreement with the client that is acceptable to the *Corporation*, and
  - (II) the agreement sets out the terms for a client to receive a confirmation of a swap transaction and the key terms of the confirmation.
- (d) a derivatives transaction where the *Dealer Member* is the executing broker and the transaction is executed for an *institutional client* under a give-up agreement, provided
  - (I) the client, executing *Dealer Member* and *Dealer Member* responsible to clear and settle the transaction are parties to the give-up agreement
  - (II) the clearing *Dealer Member* is responsible, under the give-up agreement, for issuing the transaction confirmation to the client, and
  - (III) the executing *Dealer Member*:

(A) executes the transaction in accordance with the client's instructions to give up such transaction to the clearing Dealer Member.

(B) provides limited transaction execution service to the client under the give-up agreement and does not maintain client account documentation, or receive the client's money, securities, margin or collateral, and

(C) provides the clearing Dealer Member a monthly invoice with details of the give-up transactions of the client and the clearing Dealer Member reconciles the transactions details with its own record.

**3817. Options and similar derivative contracts in which the Dealer Member has an interest**

- (1) A Dealer Member must maintain a record of all puts, calls, spreads, straddles and other options or similar derivative contracts in which the Dealer Member has any direct or indirect interest or which the Dealer Member has granted or guaranteed, and the record must contain, at the minimum, an identification of the security or other underlying interest and the number of units involved.

**RULE 3900 | SUPERVISION**

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**3901. Introduction**

- (1) Rule 3900 sets out the Dealer Member's obligation to supervise its business and operations. The rule is divided into seven parts as follows:

Part A – General supervision requirements  
[sections 3904 through 3918]

Part B – Supervision of all accounts  
[sections 3925 through 3927]

Part C – Supervision of retail client accounts  
[sections 3945 through 3948]

Part D – Supervision of institutional client accounts  
[sections 3950 and 3951]

Part E – Supervision of order execution only accounts  
[section 3955]

Part F – Supervision of ~~options, futures contracts and futures contract~~  
options derivatives trading accounts  
[sections 3960 through ~~3968~~3964]

Part G - Supervision of discretionary accounts and managed accounts

[sections 3970 through 3973]

**PART C – SUPERVISION OF RETAIL CLIENT ACCOUNTS**

**3945. Daily and monthly trade supervision**

- (2) In addition to meeting the *Dealer Member's* general supervisory obligations and any relevant obligations relating to trading, the policies and procedures relating to the supervision of *retail client* accounts must specifically address the detection of:
  - (i) unsuitable trading,
  - (ii) undue concentration of *securities, derivatives or precious metals bullion* in a single account or across accounts,
  - (iii) excessive trading,
  - (iv) trading in restricted *securities or transacting in derivatives whose underlying interest is a restricted security*,
  - (v) conflict of interest between *Registered Representative, Investment Representative, Portfolio Manager* and *Associate Portfolio Manager* and client trading activity,
  - (vi) excessive ~~trade~~transaction transfers and trade ~~cancellation~~cancellations indicating possible unauthorized trading,
  - (vii) inappropriate or high-risk trading strategies,
  - (viii) deterioration of the quality of client holdings in an account,
  - (ix) excessive or improper crosses of *securities, derivatives or precious metals bullion* between clients,
  - (x) improper or excessive *employee* trading,
  - (xi) front running,
  - (xii) account number changes,
  - (xiii) late payment,
  - (xiv) outstanding margin calls,
  - (xv) undisclosed short sales,

- (xvi) *manipulative and deceptive activities*, and
- (xvii) insider trading.

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**3946. Additional supervisory responsibilities**

- (1) In addition to transactional activity, the *Dealer Member's* policies and procedures must specifically address identifying, dealing with and informing the appropriate *Supervisors* of other client related matters, including:
  - (i) client complaints,
  - (ii) cash account violations,
  - (iii) transfers of funds and securities positions between unrelated accounts or between *non-client accounts* and client accounts or deposits from *non-client accounts* to client accounts, and
  - (iv) trading while the account is under margined.

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**PART D – SUPERVISION OF INSTITUTIONAL CLIENT ACCOUNTS**

**3950. Supervisory policies and procedures for institutional client accounts**

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- (2) In addition to meeting the *Dealer Member's* general supervisory obligations, including any relevant obligations relating to trading in *securities, ~~debt securities, options, futures contracts and futures contract options,~~ derivatives and precious metals bullion and* the policies and procedures relating to the supervision of *institutional client* accounts must specifically address detecting improper or suspicious account activity including:
  - (i) *manipulative and deceptive activities*,
  - (ii) trading in *securities* on the *Dealer Member's* restricted list,
  - (iii) transacting in derivatives whose underlying interest is on the Dealer Member's restricted list,
  - ~~(iii)~~(iv) front running by *employee* or proprietary accounts,
  - ~~(iv)~~(v) trading in *securities* that have restrictions on their transfer,
  - (vi) transacting in derivatives whose underlying interest has restrictions on their transfer, and
  - ~~(v)~~(vii) exceeding derivative position or exercise limits ~~on derivative products.~~

**PART E – SUPERVISION OF ORDER EXECUTION ONLY ACCOUNTS**

**3955. Supervision of order execution only accounts**

- (1) A *Dealer Member* that is approved by the *Corporation* to provide *order execution only accounts* within a separate legal entity or within a separate business unit must have policies and procedures in place to:
  - (i) meet the *Dealer Member's* general supervisory obligations and any relevant obligations relating to ~~trading~~transacting in *securities, debt securities, options, futures contracts and futures contract optionsderivatives and precious metals bullion,*

**PART F – SUPERVISION OF DERIVATIVES TRADING ACCOUNTS**

**3960. Supervision of ~~options~~derivatives accounts**

- (1) A *Dealer Member* that ~~allows trading in options~~transacts in or advises on derivatives must , where applicable:
  - (i) appoint a designated Supervisor to supervise its activities that involve options contracts or similar derivative contracts, and
  - (ii) appoint a designated Supervisor to supervise its activities that involve futures contracts, forward contracts, contracts for difference, futures contract options activity or similar derivative contracts.
- (2) The *designated Supervisor*~~Supervisors~~ must have the qualifications and experience required to supervise the *Dealer Member's* ~~options activity~~derivatives activities.
- (3) The *Dealer Member* must appoint one or more alternate *Supervisors* if necessary to ensure continuous supervision of its ~~options activity~~derivatives activities.
- (4) An alternate *Supervisor* must assume all or part of the *designated Supervisor's* responsibilities if:
  - (i) the relevant *designated Supervisor* is absent or unable to carry out their duties, or
  - (ii) a *Dealer Member's* trading activity requires additional qualified *individuals* to supervise the *Dealer Member's* ~~option contract business~~derivatives-related activities.

**3961. Responsibility of designated Supervisors for options derivatives accounts**

- (1) The ~~designated Supervisor is~~ Supervisors are responsible for:
  - (i) approving new options derivatives accounts, and
  - (ii) ensuring that the handling of clients' options derivatives account trading complies with *Corporation requirements*.

**3962. Supervision of retail options derivatives accounts**

- (1) The ~~designated Supervisor is~~ Supervisors for retail derivatives accounts are responsible for:
  - (i) reviewing and approving client loss limits when they are set annually or updated, taking into consideration previous losses,
  - (ii) ensuring that all recommendations made for an account are and continue to be suitable for the client; and
  - (iii) put the client's interest first.
- (2) The *Dealer Member* must ensure that ~~only~~ *Registered Representatives, Investment Representatives, Portfolio Managers and Associate Portfolio Managers* ~~that are also~~ options qualified ~~only~~ trade in or advise on options those derivatives included in their approval category.
- (3) On a daily and monthly basis, the *designated Supervisor* must review all options derivatives accounts that are designated as *discretionary accounts* and *managed accounts*.
- (4) The *Dealer Member* must have *policies* and procedures that specifically address notifying clients of:
  - (i) approaching expiry dates,
  - (ii) significant changes in options derivative contracts resulting from changes in the underlying interest,
  - (iii) any changes in the *Dealer Member's* business policy, and
  - (iv) any new developments in the trading or regulation of options derivatives that may impact clients.
- (5) The *Dealer Member* must have policies and procedures that specifically:
  - (i) require the designated Supervisor to approve the solicitation of clients to use options derivatives programs, as well as clients' actual use of options derivatives,
  - (ii) prevent a client from transacting in derivatives without executing a derivatives trading agreement with the Dealer Member,
  - (iii) address the handling of futures contracts, forward contracts and similar derivative contracts with pending delivery months,
  - (iv) address detection of derivatives trading by a client who is an insider of a reporting issuer or any other issuer whose securities are publicly traded to avoid insider trading restrictions,
  - (v) prevent a retail client from holding contracts for difference or similar derivatives positions representing more than 0.5% of the float of a reporting issuer or any

other issuer whose securities are publicly traded on an intra day or short term basis, and

(vi) prohibit the offering of contracts for difference or similar derivatives to a retail client that confer the right or obligation to acquire or deliver the underlying interest or confer any other rights of shareholders, such as voting rights.

**3963. Supervision of retail ~~options~~ derivatives account trading activity**

- (1) In addition to Corporation requirements relating to account supervision, the Dealer Member's policies and procedures must specifically address ~~reviewing option trading activity~~ the review of derivative transactions to detect the following:
- ~~(i) — the~~
  - (i) excessive intra-day and short-term transactions,
  - (ii) transacting while the account is under-margined,
  - (iii) transacting beyond margin or credit limits,
  - (iv) cumulative losses exceeding approved client loss limits in trading accounts determined in accordance with clause 3252(1)(vii) and subsection 3252(2),
  - (v) exceeding ~~of derivative~~ position or exercise limits,
  - (vi) speculative transactions in hedging accounts,
  - (vii) transactions in derivatives whose underlying interest is on the Dealer Member's restricted list,
  - (viii) transactions in derivatives whose underlying interest has restrictions on their transfer,
  - (ix) transacting in derivatives to avoid insider trading restrictions,
  - (x) exposures arising out of uncovered option positions, and
- ~~(ii) — exposures arising out of uncovered option positions~~ (xi) exposures to delivery obligations through the holding of futures contracts, forward contracts and similar derivative contracts into the delivery month.

**~~3964. Supervision of futures contract and futures contract options accounts~~**

- ~~(1) — A Dealer Member that trades or advises in respect of futures contract or futures contract options must appoint a designated Supervisor to supervise its futures contract and futures contract options activity.~~
- ~~(2) — The designated Supervisor must have the qualifications and experience required to supervise the Dealer Member's futures contract or futures contract options activity.~~
- ~~(3) — The Dealer Member must appoint one or more alternate Supervisors if necessary to ensure continuous supervision of its futures contract and futures contract options activity.~~

- (4) — An alternate *Supervisor* must assume all or some of the *designated Supervisor's* responsibilities if:
- (i) — the *designated Supervisor* is absent or unable to carry out their duties, or
  - (ii) — a *Dealer Member's* trading activity requires additional qualified *individuals* to supervise the *Dealer Member's futures contract* and *futures contract options* business.

**~~3965.~~ Responsibility of designated Supervisors for futures contract and futures contract options accounts**

- (1) — For *futures contract* accounts and *futures contract option* accounts, the respective *designated Supervisors* are responsible for:
- (i) — approving new *futures contract* accounts and *futures contract options* accounts, and
  - (ii) — ensuring the handling of clients' *futures contract* and *futures contract options* account trading complies with *Corporation requirements*.

**~~3966~~3964. Access to Approved Persons qualified in ~~futures contract and futures contract options~~ derivatives**

- (1) The *Dealer Member's* policies and procedures must specifically address that *futures contract and futures contract options* derivatives clients have access, during normal business hours, to a *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* qualified to deal in ~~*futures contracts and futures contract options*~~, where applicable:
- (i) options contracts and similar derivative contracts, or
  - (ii) futures contracts, forward contracts, contracts for difference, futures contract options or similar derivative contracts, or
  - (iii) all derivative contracts.

**~~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.
- (2) — The *Dealer Member* must ensure that only *futures contract* and *futures contract options* qualified *Registered Representatives, Investment Representatives, Portfolio Managers* and *Associate Portfolio Managers* trade in or advise on *futures contracts* or *futures contract options*.
- (3) — The *designated Supervisor* must review all discretionary and managed *futures contract* and *futures contract options* accounts on a daily and monthly basis.
- (4) — The *Dealer Member's* policies and procedures must specifically address proper handling of positions with pending delivery months.

- ~~(5) — The *Dealer Member* must establish procedures to notify clients of:~~
- ~~(i) — any changes in the *Dealer Member's* business policy, and~~
  - ~~(ii) — new developments in trading and regulation of futures contracts and futures contract options that may impact clients.~~
- ~~(6) — The *Dealer Member's* policies and procedures must specifically require the *designated Supervisor* to approve the solicitation of clients to use futures programs as well as clients' use of *futures contracts or futures contract options*.~~

**~~3968. — Supervision of retail futures contract and futures contract options trading activity~~**

- ~~(1) — The *Dealer Member* must review all *futures* contracts and futures contract options trading to detect the following:~~
- ~~(i) — excessive day trading resulting in trading large numbers of contracts,~~
  - ~~(ii) — trading while the account is under margined,~~
  - ~~(iii) — trading beyond margin or credit limits,~~
  - ~~(iv) — cumulative losses exceeding risk limits,~~
  - ~~(v) — position and exercise limits that have been exceeded,~~
  - ~~(vi) — speculative trading in hedge accounts, and~~
  - ~~(vii) — exposure to delivery through holding into delivery month.~~

3965. - 3969.     **Reserved.**

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

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**3971. Supervision of managed accounts**

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- (2) In addition to meeting the *Dealer Member's* general supervisory obligations and any relevant obligations relating to trading in *securities, ~~debt securities, options, futures contracts and futures contract options~~ derivatives and precious metals bullion*, the *Dealer Member's* policies and procedures dealing with the supervision of *managed accounts* must specifically address:
- (i) identifying when a *Portfolio Manager* or sub-adviser, as described in section 3279, has contravened *managed account* conflict of interest related requirements set out in section 3280, and
  - (ii) ensuring fairness in the allocation of investment opportunities among its *managed accounts*.

RULE 4100 | GENERAL DEALER MEMBER FINANCIAL STANDARDS – MINIMUM CAPITAL, EARLY WARNING, FINANCIAL REPORTS AND AUDITORS

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PART D - APPOINTMENT OF AUDITORS AND AUDIT REQUIREMENTS

**4174. No limitation on scope or procedures**

- (1) Nothing in [Part D of](#) Rule 4100:
  - (i) limits the scope of the audit, or
  - (ii) allows the *Dealer Member's auditor* to omit any additional audit procedure that it considers necessary under the circumstances.

**4177. Account for all securities, [derivatives](#), [precious metals bullion](#), currencies, and other like assets**

- (1) The *Dealer Member's auditor* must account for all securities, [derivatives](#), [precious metals bullion](#), currencies and other like assets, including those held in *safekeeping* or in *segregation*, on hand, in a vault, or otherwise in the *Dealer Member's* physical possession.
- (2) The *Dealer Member's auditor* must physically examine all assets in the *Dealer Member's* physical possession and compare them with the *Dealer Member's records*.
- (3) If a *Dealer Member* has *employees* who are independent of its *employees* who handle or record securities, [derivatives](#), [precious metals bullion](#), currencies and other like assets, those independent *employees* may conduct all or part of the count and examination under the supervision of the *Dealer Member's auditor*.
- (4) The *Dealer Member's auditor* must test count and compare sufficient security, [derivative](#), [precious metals bullion](#), [currency and other like asset](#) counts with the independent

employees' counts, if applicable, and with the ~~security~~ position records, to be satisfied that the entire count was materially correct.

- (5) The *Dealer Member's auditor* must maintain control over the assets until the physical examination has been completed.

**4178. Verify ~~securities~~positions in transfer and in transit**

- (1) On a test basis, the *Dealer Member's auditor* must verify ~~securities~~positions in transfer and in transit between the *Dealer Member's* offices.

**4179. Review the Dealer Member's position balancing and account reconciliations**

- (1) The *Dealer Member's auditor* must review the *Dealer Member's*:
  - (i) balancing of all ~~security~~and, derivative and precious metals bullion positions,

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**4181. Review custodial agreements and approvals**

- (1) The *Dealer Member's auditor* must:
  - (i) ensure that all custodial agreements in the form prescribed by the *Corporation*, are in place for *securities* and precious metals bullion lodged with *acceptable securities locations*, and
  - (ii) annually obtain evidence of a *Dealer Member's* board of directors' or authorized board committee's approval of other foreign *acceptable securities locations*. These approvals must be documented in the meeting minutes.

**4182. Obtain written positive confirmations**

- (1) The *Dealer Member's auditor* must obtain written confirmation for all accounts and *security*, precious metals bullion and derivative positions.
- (2) The *Dealer Member's auditor* must obtain written positive confirmation of:
  - (i) all bank balances and other deposits including hypothecated *securities*,
  - (ii) all money, and ~~security~~positions, precious metals bullion and *derivative* positions, including with clearing houses, similar organizations, and issuers of non-certificated instruments,
  - (iii) all money and *securities* loaned or borrowed (including *subordinated debt*) and details of collateral received or pledged, if any,
  - (iv) a sample of accounts of, or with, brokers or dealers representing regular, joint, and contractual commitment positions including money and ~~security~~positions, precious metals bullion and *derivative* positions,

- (v) all accounts of *Directors* and *officers* or partners, including money and *security positions, precious metals bullion* and *derivative* positions,
- (vi) a sample of client, *employee*, and shareholder accounts, including money and *security positions, precious metals bullion* and *derivative* positions,
- (vii) a sample of the *guarantee* and guarantor accounts, in cases where a margin reduction has been taken in the accounts for which the *guarantee* has been provided during the year or as at the end of the fiscal year,
- (viii) statements from the *Dealer Member's* lawyers as to the status of lawsuits and other legal matters pending which, if possible, should disclose an estimate of the extent of the liabilities, and
- (ix) all other accounts which, in the opinion of the *Dealer Member's auditor*, should be confirmed.

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**4188. Test statements for a description of securities and precious metals bullion held in safekeeping**

- (1) The *Dealer Member's auditor* must check on a test basis whether the *Dealer Member's security* position record and client statements accurately describe the securities and precious metals bullion held in *safekeeping*.

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**4190. Calculations for Form 1 and other reporting**

- (1) The *Dealer Member's auditor* must perform the procedures identified in the "Report on Compliance for Insurance, Segregation ~~of Securities~~, and Guarantee/Guarantor Relationships Relied Upon to Reduce Margin Requirement During the Year" in Form 1 and report on the results as at the fiscal year-end audit date.

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**4192. Auditor's obligation to report to Corporation**

- (1) If during the regular conduct of an audit, the *Dealer Member's auditor* observes any material breach of *Corporation requirements* related to:
  - (i) calculating the *Dealer Member's* financial position,
  - (ii) handling and custody of *securities and precious metals bullion*, or
  - (iii) maintaining adequate *records*,the *Dealer Member's auditor* must report that breach to the *Corporation*.

- (2) The *Dealer Member's auditor* must report on any subsequent events, to date of filing, which have had material adverse effect on the *Dealer Member's risk adjusted capital* level.

4193. - 4199. Reserved.

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

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### PART C - PRICING INTERNAL CONTROL REQUIREMENTS

#### 4240. Introduction

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

#### 4241. Pricing procedures

- (1) A *Dealer Member* must consistently and accurately price all *securities, derivatives and precious metals bullion*. In Part C of Rule 4200, references to :
  - (i) securities include client and inventory positions in securities and *securities* used in financing transactions such as *security borrow and lend, repurchase agreement transactions* and *reverse repurchase agreement transactions*.
  - (ii) derivatives include client and inventory positions in derivatives, and
  - (iii) precious metals bullion include client and inventory positions in precious metals bullion.
- (2) On a daily basis, a *Dealer Member* must consistently and accurately mark to market its ~~“owned”~~:
  - (i) long and ~~“sold-short”~~ *security positions*.
  - (ii) long and short derivative positions, and
  - (iii) long precious metals bullion positions.to ensure accurate profit and loss reporting in accordance with *Corporation requirements*.
- (3) A *Dealer Member's* policies and procedures must specifically address consistently pricing ~~securities~~ and verifying prices of *securities, derivatives and precious metals bullion*.
- (4) A *Dealer Member's* policies and procedures must specifically address appropriate pricing in *security, derivatives and precious metals bullion records* that it uses to prepare management reports for monitoring:

- (i) ~~securities~~-inventory profit and loss,
  - (ii) its regulatory capital position, and
  - (iii) ~~security~~-segregation.
- (5) A *Dealer Member* must assign knowledgeable *employees*, who are independent of its trading functions, to prepare the reports in subsection 4241(4), and must supervise the reports' preparation. Conflicted *employees* must not be involved in security and precious metals bullion pricing or, failing that, the *Dealer Member* must adopt compensating procedures to ensure appropriate pricing.

**4242. Independent price verification and adjustment**

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

**4243. Retention of supporting documents**

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

**4244. Access to records**

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

**4245. - 4259. Reserved.**

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**RULE 4300 | PROTECTION OF CLIENT ASSETS – SEGREGATION, CUSTODY AND CLIENT FREE CREDIT BALANCES**

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**4301. Introduction**

- (1) Rule 4300 sets out the following *Dealer Member* requirements relating to the protection of client assets:

Part A - Segregation and related internal control requirements:

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Part A.3 - Security and precious metals bullion usage restrictions and correcting segregation deficiencies  
 [sections 4320 through 4326]

**PART A - SEGREGATION AND RELATED INTERNAL CONTROL REQUIREMENTS**

**4310. Definitions**

(1) The following terms have the meaning set out below when used in Part A of Rule 4300:

"bulk segregation"	<u>Securities and precious metals bullion</u> in segregation for a Dealer Member's clients that are not reserved for particular clients.
"net loan value"	<p>Of a <i>security</i> means:</p> <p>(i) for a long position, the <i>market value</i> of the <i>security</i> less any margin required, <u>and</u></p> <p>(ii) for a short position, the <i>market value</i> <del>of the</del> <u>of the</u> <i>security</i> <del>plus any margin required expressed as a negative number, and</del> <u>plus any margin required expressed as a negative number.</u></p> <p><del>(iii) — for a short security option position</del>  <u>Of a short security option position means, the market value</u> <del>of the</del> <u>of the</u> <i>option</i> <del>plus any margin required expressed as a negative number.</del> <u>plus any margin required expressed as a negative number.</u></p> <p><u>Of a long precious metals bullion position means, the market value of the precious metals bullion less any margin required.</u></p>

<u>"segregated precious metals bullion"</u>	<u>Precious metals bullion held in segregation by a Dealer Member for a client.</u>
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## PART A.1 - GENERAL SEGREGATION REQUIREMENTS

### 4311. Introduction

- (1) The general *segregation* requirements set out the requirements for a *Dealer Member* to segregate client fully paid and excess margin *securities and precious metals bullion*.

### 4312. Fully paid and excess margin securities and precious metals bullion

- (1) A *Dealer Member* holding fully paid or excess margin *securities and precious metals bullion* for a client must:
  - (i) segregate those *securities and precious metals bullion*, and
  - (ii) identify those *securities and precious metals bullion* as being held in trust for that client.
- (2) A *Dealer Member* must not use *securities and precious metals bullion* held in *segregation* for its own purposes except with the express written approval of its client under the terms of a cash and securities loan agreement as detailed in section 5840.
- (3) The *Corporation* may prescribe how *segregated securities and segregated precious metals bullion* are held, and how the amount or value of *securities and segregated precious metals bullion* to be segregated must be calculated.

### 4314. Segregation of client securities and precious metals bullion

- (1) A *Dealer Member* holding *segregated securities and segregated precious metals bullion* must:
  - (i) segregate those *securities and segregated precious metals bullion* in bulk in accordance with sections 4315 through 4319, or
  - (ii) segregate specific *securities and segregated precious metals bullion* for each client.
- (2) A *Dealer Member* must not segregate in bulk client *securities and segregated precious metals bullion* that are subject to a written *safekeeping* agreement.

## PART A.2 - BULK SEGREGATION CALCULATION

### 4315. Steps for bulk segregation calculation

- (1) A *Dealer Member* that segregates *securities and segregated precious metals bullion* in bulk must, in accordance with sections 4316 through 4319:
  - (i) determine the *net loan value* and *market value* of *securities and segregated precious metals bullion* held in a client's account,
  - (ii) calculate the number of *segregated securities and segregated precious metals bullion* to be segregated in bulk,
  - (iii) determine the *securities and segregated precious metals bullion* to use to satisfy *segregation* requirements, and

- (iv) perform regular calculations and compliance reviews.

**4316. Net loan value and market value of securities and precious metals bullion in a client’s account**

- (1) A Dealer Member holding ~~segregated~~ securities and precious metals bullion in bulk segregation must determine for all securities and precious metals bullion held for all accounts of each client:
  - (i) the number or quantity of securities and precious metals bullion that are part of a *qualifying hedge position*,
  - (ii) the *net loan value* of securities and precious metals bullion (excluding securities and precious metals bullion that are part of a *qualifying hedge position*) less the aggregate debit cash balance in accounts (or plus in the case of a credit), and
  - (iii) the *market value* of securities and precious metals bullion (excluding securities and precious metals bullion that are part of a *qualifying hedge position*) not eligible for margin less the aggregate amount, if any, by which those accounts are under margined as calculated in clause 4316(1)(ii).
- (2) A Dealer Member must segregate the *net loan value* of securities and precious metals bullion calculated in clause 4316(1)(ii) and the *market value* of securities and precious metals bullion calculated in clause 4316(1)(iii) for each client account.
- (3) A Dealer Member is not required to segregate an amount of securities and precious metals bullion greater than the *market value* of the securities and precious metals bullion held for those accounts.

**4317. Calculating the number of client securities to be segregated in bulk**

- (1) A Dealer Member that chooses to satisfy its *segregation* obligations under section 4312 by segregating in bulk must segregate in bulk for all its clients the number of securities calculated as follows:

- (i) ~~Equities~~ Equity securities

Number of securities required to be segregated	=	(aggregate loan value or <i>market value</i> of a class or series of <i>security</i> required to be segregated for each client in section 4316) ÷ (loan value or <i>market value</i> of one unit of the <i>security</i> )
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- (ii) Debt securities

Principal amount of securities required to be segregated	=	(aggregate loan value or <i>market value</i> of a class or series of <i>security</i> required to be segregated for each client in section 4316) ÷ (loan value or <i>market value</i> of each \$100 principal amount of the <i>security</i> ) x 100, rounded to lowest issuable denomination
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**4318. Determining securities and precious metals bullion to comply with segregation requirements**

- (1) A Dealer Member may choose any securities or precious metals bullion from a client’s accounts to satisfy the *segregation* requirements for that client’s positions, subject to the restrictions of applicable *securities laws* including, without limitation, a requirement that

fully paid *securities* or precious metals bullion in a cash account be segregated before unpaid *securities* or precious metals bullion.

- (2) A *Dealer Member* that sells *securities* or precious metals bullion required to be segregated for a client must keep them segregated until one *business day* prior to settlement or value date.
- (3) *Securities* or precious metals bullion required to be segregated for a client must not be removed from *segregation* as a result of the purchase of any *securities* or precious metals bullion by that client until settlement or value date.

**4319. Frequency and review of bulk segregation calculation**

- (1) At least twice weekly, a *Dealer Member* must determine the *securities* or precious metals bullion required to be segregated according to the calculations in Part A.2 of Rule 4300.
- (2) A *Dealer Member* must conduct a daily review of *securities* or precious metals bullion segregated for clients to identify any deficiencies that exist between the actual amounts segregated and the amounts, determined in accordance with subsection 4319(1), that are required to be segregated. Where a deficiency exists, the *Dealer Member* must correct it in accordance with the requirements of sections 4320 through 4326.

**PART A.3 - SECURITY AND PRECIOUS METALS BULLION USAGE RESTRICTIONS AND CORRECTING SEGREGATION DEFICIENCIES**

**4320. General restrictions**

- (1) A *Dealer Member* must:
  - (i) ensure that a *segregation* deficiency is not knowingly created or increased, and
  - (ii) not deliver *securities* or precious metals bullion it holds against payment for the account of any client if those *securities* or precious metals bullion are required to satisfy the *Dealer Member's* *segregation* requirements.

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**4322. Call loan segregation deficiency**

- (1) A *Dealer Member* that determines it has a call loan *segregation* deficiency must recall the *securities* or precious metals bullion within the *business day* following the day it determines the deficiency exists.

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**4326. Fails – client or other Dealer Members**

- (1) If a *Dealer Member* has failed to receive *securities* or precious metals bullion within 15 *business days* of settlement date from a client or another *Dealer Member*, the *Dealer Member* must:

- (i) borrow the same issue of *securities* or precious metals bullion to cover the deficiency, or
- (ii) undertake to buy-in the *securities* or precious metals bullion.

#### **PART A.4 - MINIMUM SEGREGATION POLICIES AND PROCEDURES**

##### **4327. General**

- (1) A *Dealer Member* must, at a minimum, comply with the policies and procedures for *segregated securities* and segregated precious metals bullion in sections 4328 through 4332 and the supervision requirements in Rule 3900.

##### **4328. Records of segregated securities and precious metals bullion**

- (1) *Segregated securities* and segregated precious metals bullion must be described as being held in *segregation* on a *Dealer Member's* *security* and precious metals bullion position record (or related *records*) and client ledger and statement of account. This description must be in substance a fair representation of how the *securities* and precious metals bullion are being held in *segregation* at the custodian and therefore, the ~~security~~ box locations of the *Dealer Member* must have a direct mapping (or relationship) to custody accounts set up at the custodian on behalf of the *Dealer Member*.

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##### **4331. Authorized employees to move securities and precious metals bullion**

- (1) A *Dealer Member* must limit who can move *segregated securities* and segregated precious metals bullion into or out of *segregation* to only authorized *employees*.

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#### **PART B - CUSTODY AND RELATED INTERNAL CONTROL REQUIREMENTS**

##### **PART B.1 - GENERAL CUSTODY REQUIREMENTS**

##### **4340. Introduction**

- (1) A *Dealer Member* takes on certain operational risks when it has custody of *securities* and precious metals bullion. These risks arise in connection with the location where and by whom ~~the securities~~ they are held and whether a *Dealer Member* has adequate *internal controls* to deal with these risks. Part B of Rule 4300 prescribes *Corporation requirements* for managing the risks related to *securities* and precious metals bullion custody. As these risks are quantifiable, they are treated as margin charges when calculating *Dealer Member risk adjusted capital*. This Part B of Rule 4300, in conjunction with Form 1, prescribes these charges.

#### 4341. Definitions

- (1) The following terms have the meaning set out below when used in Part B of Rule 4300:

“external acceptable securities location”	An <i>acceptable securities location</i> for securities <a href="#">and precious metals bullion</a> that are not under a <i>Dealer Member’s</i> physical possession but which are under a <i>Dealer Member’s</i> control.
“internal acceptable securities location”	An <i>acceptable securities location</i> for securities <a href="#">and precious metals bullion</a> that are in a <i>Dealer Member’s</i> physical possession or physical control. <i>Internal acceptable securities locations</i> include acceptable transfer locations.
“set-off risk”	The risk exposure resulting when a <i>Dealer Member</i> has other transactions, balances or positions with a custodian, and the resulting balances could be set off against the value of the securities <a href="#">and precious metals bullion</a> held by the custodian.

#### 4342. Hold securities [and precious metals bullion](#) in an acceptable securities location

- (1) A *Dealer Member* must hold securities [and precious metals bullion](#), including book-based securities, in an *acceptable securities location* as prescribed in Rule 4300 and Form 1. *Acceptable securities locations* can either be *internal acceptable securities locations*, which include acceptable transfer locations; or *external acceptable securities locations*, which in Form 1 are simply referred to as “*acceptable securities locations*”.

#### 4343. Timely deposit

- (1) A *Dealer Member* must deposit securities [and precious metals bullion](#) requiring *segregation* in an *acceptable securities location* on a timely basis.

### PART B.2 - ACCEPTABLE SECURITIES LOCATIONS

#### 4344. Acceptable internal storage location

- (1) Securities [and precious metals bullion](#) in a *Dealer Member’s* physical possession must be held in an internal storage location that meets the requirements in section 4345, in order for the internal storage location to be an *internal acceptable securities location*.

#### 4345. Acceptable internal storage location requirements

- (1) A *Dealer Member’s* internal storage location must:
- (i) be subject to ongoing adequate *internal controls* and systems for safeguarding securities [and precious metals bullion](#), and
  - (ii) hold all unencumbered ~~security~~ securities [and precious metals bullion](#) positions in the physical possession of the *Dealer Member*.

#### 4346. Acceptable transfer locations

- (1) Securities [and precious metals bullion](#) in transfer must be in the possession of a registered or recognized transfer agent and a *Dealer Member* must comply with the applicable confirmation requirements in sections 4356 through 4360, in order for the transfer location to be an acceptable transfer location.

**4347. Securities not under a Dealer Member’s physical possession**

- (1) *Securities [and precious metals bullion](#) not under a Dealer Member’s physical possession but which are under a Dealer Member’s control must be held in an external acceptable securities location or the Dealer Member must comply with the client waiver requirements in section 4352.*

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**4350. Application to Corporation for approval of foreign institutions and foreign securities dealers**

- (1) *A Dealer Member must apply in writing to the Corporation for review and approval of a foreign institution or foreign securities dealer as an acceptable securities location.*
- (2) *Prior to submission to the Corporation the application must be approved by the Dealer Member’s board of directors or by a committee of the Dealer Member’s board of directors.*
- (3) *The application to the Corporation must include the following:*

<b>Document</b>	<b>Contents</b>	<b>Form (if Corporation prescribed)</b>
1. Foreign custodian certificate	1. <i>Dealer Member</i> responses to custodian due diligence questions 2. <i>Dealer Member</i> certification of approval of foreign custodian as a location for holding securities <a href="#">and precious metals bullion</a>	In a form satisfactory to the Corporation
2. Latest audited financial statements of proposed foreign custodian	Must evidence minimum net worth of C\$150 million	

**4351. Annual approval of foreign institutions and foreign securities dealers as acceptable securities locations**

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- (3) *The annual approval by the Dealer Member’s board of directors or a committee of the Dealer Member’s board of directors must be given as follows:*

Document	Contents	Notes
<i>Dealer Member's</i> board material and foreign custodian certificate	<i>Dealer Member</i> board's or committee of the <i>Dealer Member</i> board's annual written approval of foreign custodian as foreign location for holding <u>securities and precious metals bullion</u>	Approval must be documented in minutes of a meeting.  Approval must be available for review by examiners during a field examination of the <i>Dealer Member</i>

**4352. Obtaining a client waiver when an external acceptable securities location is unavailable**

- (1) If a *Dealer Member* holds client securities and precious metals bullion in a foreign jurisdiction where:
  - (i) *applicable laws* and circumstances may restrict the transfer of securities and precious metals bullion from that jurisdiction, and
  - (ii) the *Dealer Member* cannot arrange to hold the client's securities and precious metals bullion in the jurisdiction at an *external acceptable securities location*, the *Dealer Member* must obtain a waiver from the client.
- (2) The client's waiver in approved form must be obtained for each transaction.
- (3) In the waiver, the client must:
  - (i) consent to the arrangement,
  - (ii) acknowledge the risks associated with holding securities and precious metals bullion at the specified foreign custodian on behalf of the *Dealer Member* in the specified country, and
  - (iii) waive any claims it may have against the *Dealer Member* and hold the *Dealer Member* harmless if the foreign custodian loses the securities and precious metals bullion.
- (4) On obtaining the waiver, a *Dealer Member* may hold those client securities and precious metals bullion at a custodian in the foreign jurisdiction if the *Dealer Member* has a written custodial agreement with the custodian.

**PART B.3 - WRITTEN CUSTODIAL AGREEMENT REQUIREMENT**

**4353. Agreement with each external securities location**

- (1) As required in Form 1, a *Dealer Member* must execute a written custodial agreement with each external custodian. In order for the external custodian to qualify as an *external acceptable securities location* the written custodial agreement must state that:
  - (i) the *Dealer Member* must give prior written consent to any use or disposal of the securities and precious metals bullion,

- (ii) *security* certificates can be delivered promptly on demand or, if certificates are not available and the securities are book-based, must be transferable either from the location or to another *person* at the location promptly on demand,
- (iii) the *securities* and precious metals bullion are held in *segregation* for the *Dealer Member* or its clients free and clear of any charge, lien, claim or encumbrance in favour of the custodian, and
- (iv) the custodian indemnifies the *Dealer Member* against losses due to the custodian's failure to return any securities, precious metals bullion or other property it holds to the *Dealer Member*. However, the custodian's liability is limited to the *market value* of the *securities*, precious metals bullion and other property at the time it was required to deliver them to the *Dealer Member*.

When custody is secured by a global custodial agreement, including where the custodian uses a subcustodian, the custodian's indemnity must:

- (a) meet standard industry practice,
- (b) be legally enforceable, and
- (c) be of sufficient scope and in a form that is acceptable to the *Corporation*.

#### **PART B.4 - CONFIRMATION AND RECONCILIATION REQUIREMENTS**

##### **4355. Securities in transit**

- (1) If *securities* or precious metals bullion are in transit between internal storage locations:
  - (i) for which there are no adequate *internal controls* maintained, or
  - (ii) for more than five *business days*,those *securities* or precious metals bullion are not considered to be under the *Dealer Member's* control or physical possession for purposes of good *segregation*.

##### **4356. Confirmations from external acceptable securities locations**

- (1) A *Dealer Member* must receive a positive confirmation of all *securities* or precious metals bullion positions annually at its fiscal year-end audit date from each *external acceptable securities location*.
- (2) If a *Dealer Member* does not receive a positive fiscal year end audit confirmation of a *securities* or precious metals bullion position from an *external acceptable securities location*, then the *Dealer Member* must transfer the position to its difference account.

## PART B.5 - MARGIN REQUIREMENTS

### 4362. Acceptable securities location

- (1) For securities or precious metals bullion a Dealer Member holds at an *acceptable securities location*, custodial related margin requirements only apply to unresolved differences.

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### 4364. Non-acceptable internal storage and non-acceptable securities location

- (1) If securities or precious metals bullion are:
  - (i) not considered to be under the *Dealer Member's* control or physical possession for purposes of good *segregation* under section 4355, or
  - (ii) not under a *Dealer Member's* physical possession and are held at a non-acceptable *securities* location because:
    - (a) the location does not meet the criteria for an *internal acceptable securities location* as specified in section 4345, or
    - (b) the location does not meet the criteria for an *external acceptable securities location* as specified in section 4348, or
    - (c) there is no annual written approval of a foreign institution or foreign *securities* dealer as an *acceptable securities location* as specified in section 4351,

then, when it calculates *risk adjusted capital*, a *Dealer Member* must deduct 100% of the *market value* of the securities or precious metals bullion held in custody with the non-acceptable securities location.

### 4365. No confirmation from ~~securities~~ location

- (1) Security and precious metals bullion positions where the *Dealer Member* has not received:
  - (i) a positive fiscal year end audit confirmation under subsection 4356(2) or where an adequate month-end reconciliation process is not performed by the *Dealer Member*,
  - (ii) a confirmation from a transfer agent, within the required time period, under subsection 4357(3), 4358(3) or 4359(3), or
  - (iii) a confirmation of a related stock split or stock dividend under subsection 4360(2)are not considered to be under the *Dealer Member's* control or physical possession for purposes of good *segregation* and must be transferred to a *Dealer Member's* difference account.
- (2) For difference account positions in subsection 4365(1), the *Dealer Member* must:

- (i) provide for the purposes of calculating *risk adjusted capital*, as an amount required to margin, the sum of the security and precious metals bullion position *market value* and the normal inventory margin, and
- (ii) undertake to borrow or buy-in the position pursuant to section 4368.

**4366. No written custodial agreement**

- (1) If a *Dealer Member* does not have a written custodial agreement with a custodian, and that entity would otherwise qualify as an *acceptable securities location*, it must provide margin on the security and precious metals bullion positions held in custody at that custodian in accordance with subsections 4366(2) and 4366(3).
- (2) *Dealer Member* has no *set-off risk* with the custodian
  - (i) If the *Dealer Member* has no *set-off risk* with the custodian, in determining its *early warning excess* and *early warning reserve*, the *Dealer Member* must deduct as a margin requirement 10% of the *market value* of the ~~securities~~security and precious metals bullion positions held in custody at the custodian.
- (3) *Dealer Member* has *set-off risk* with the custodian
  - (i) If the *Dealer Member* has *set-off risk* with the custodian, in determining:
    - (a) its *risk adjusted capital*, the *Dealer Member* must deduct as a margin requirement the lesser of:
      - (I) 100% of the *set-off risk* exposure, and
      - (II) 100% of the *market value* of the ~~securities~~security and precious metals bullion positions held in custody
 and
    - (b) its *early warning excess* and *early warning reserve*, the *Dealer Member* must deduct as a margin requirement the lesser of:
      - (I) 10% of the *market value* of ~~securities~~security and precious metals bullion positions held in custody at the custodian, and
      - (II) 100% of the *market value* of ~~securities~~security and precious metals bullion positions held in custody at the custodian less amount required in sub-clause 4366(3)(i)(a).

**4368. Difference accounts**

- (1) A *Dealer Member* must maintain a difference or suspense account to record all ~~securities~~security and precious metals bullion positions not received due to unreconcilable differences or errors in any accounts.
- (2) If a *Dealer Member* has not received the ~~securities~~security and precious metals bullion positions recorded in a difference account within 30 *business days* of recording the deficiency, the *Dealer Member* must:

- (i) borrow the ~~same class~~security or ~~series of securities~~precious metals bullion position to cover the deficiency, or
- (ii) undertake to purchase the ~~securities~~ or precious metals bullion immediately.

**PART C - CLIENT FREE CREDIT BALANCE REQUIREMENTS**

**~~4381.~~ Definitions**

~~(1)~~ The following term has the meaning set out below when used in Part C of Rule 4300:

<del>“net allowable assets”</del>	<del>A Dealer Member’s net allowable assets calculated in Statement B of Form 1.</del>
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**~~4382~~4381. Dealer Member’s use of client free credit balances**

- (1) A Dealer Member may use its clients’ *free credit balances* in its business only in accordance with Part C of Rule 4300.

**~~4383~~4382. Notation on client account statements**

- (1) A Dealer Member that does not keep its clients’ *free credit balances*:
  - (i) *segregated* in trust for clients in an account with an *acceptable institution*, and
  - (ii) separate from other money the Dealer Member receives, must clearly write the following or equivalent on all statements of account it sends to clients:
 

“Any free credit balances represent funds payable on demand which, although properly recorded in our books, may not be segregated and may be used in the conduct of our business.”

**~~4384~~4383. Calculating usable free credit balances**

- (1) A Dealer Member must not use in its business an amount of clients’ *free credit balances* that totals more than the greater of:
  - (i) general free credit limit:
 

twelve times the Dealer Member’s *early warning reserve* amount, or
  - (ii) margin lending adjusted free credit limit:
 

twenty times the Dealer Member’s *early warning reserve* amount for margin lending purposes plus twelve times the remaining *early warning reserve* amount for all other purposes, where the remaining *early warning reserve* amount equals the *early warning reserve* amount minus 1/20th of the total settlement date client margin debit amount.

(2) A Dealer Member must segregate clients' free credit balances in excess of the amount calculated in subsection ~~4384~~4383(1) either:

- (i) in cash held in trust for clients in a separate account with an *acceptable institution*, and this trust property must be clearly identified as such at the *acceptable institution* or
- (ii) in the following securities:

<b>Securities eligible for client free credit segregation purposes</b>			
<b>Category</b>		<b>Minimum designated rating organization current credit rating</b>	<b>Qualification(s)</b>
1.	Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by the following: <ul style="list-style-type: none"> <li>• national governments of Canada, United Kingdom, and United States</li> <li>• Canadian provincial governments</li> </ul>	Not applicable (N/A)	Not applicable (N/A)
2.	Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by any other national foreign government not identified in category 1	AAA	Foreign government must be a member of the Basel Accord
3.	Canadian bank paper with an original maturity of 1 year or less	R-1(low), F1, P-1, A-1(low)	No <i>designated rating organization</i> has a lower current credit rating Must be issued by a Canadian <i>chartered bank</i> Securities issued by a provider of capital, as defined in Form 1, Schedule 14, are not eligible

~~4385~~4384. **Weekly calculation**

- (1) At least weekly, but more frequently if required, a Dealer Member must calculate the amounts that must be segregated under section ~~4384~~4383.

~~4386~~4385. **Daily compliance review**

- (1) Every day, a *Dealer Member* must compare the amount of client *free credit balances* it has segregated to the amount subsection ~~4384~~24383 (2) requires to be segregated.
- (2) A *Dealer Member* must identify and correct any deficiency in amounts of *free credit balances* required to be *segregated* within five *business days* following the determination of the deficiency.

~~4387~~4386. - 4399. Reserved.

**RULE 4400 | PROTECTION OF CLIENT ASSETS – SAFEKEEPING CLIENT ASSETS, SAFEGUARDING CASH AND SECURITIES, AND INSURANCE**

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**4401. Introduction**

- (1) Rule 4400 sets out the following *Dealer Member* requirements relating to the protection of client assets:
  - Part A - Safekeeping requirements  
[sections 4402 through 4407]
  - Part B - Internal controls requirements for safeguarding cash ~~and~~ securities and precious metals bullion  
[sections 4420 through 4433]
  - Part C - Insurance requirements  
[sections 4450 through 4468]

**PART A - SAFEKEEPING REQUIREMENTS**

**4402. Introduction**

- (1) Part A of Rule 4400 requires a *Dealer Member* to have adequate *safekeeping* arrangements in place to protect its clients' assets.

**4403. Written safekeeping agreement**

- (1) A *Dealer Member* with securities or precious metals bullion held for *safekeeping* must have a written *safekeeping* agreement with each client it holds securities or precious metals bullion for.

**4404. Securities free from encumbrance**

- (1) A *Dealer Member* must keep securities or precious metals bullion held for *safekeeping* free from any encumbrance.

**4405. Procedures to keep securities apart**

- (1) A *Dealer Member* must keep securities or precious metals bullion held for *safekeeping* separate from all other ~~securities~~positions and must have procedures in place to ensure this separation.

**4406. Identifying securities held for safekeeping in records**

- (1) A *Dealer Member* must specifically identify and record securities or precious metals bullion held for *safekeeping* in its securities or precious metals bullion position records and client's ledger and statement of account.

**4407. Release of securities held in safekeeping**

- (1) A *Dealer Member* may release securities or precious metals bullion held for *safekeeping* to others only when the client so instructs.

**4408. - 4419. Reserved.**

**PART B - INTERNAL CONTROL REQUIREMENTS FOR SAFEGUARDING CASH, SECURITIES AND PRECIOUS METALS BULLION**

**4420. Introduction**

- (1) Part B of Rule 4400 requires a *Dealer Member* to have policies and procedures to prevent loss of its clients' and its own assets.

**4421. Safeguarding client and Dealer Member cash ~~and~~ securities and precious metals bullion**

- (1) A *Dealer Member* must safeguard its clients' and its own cash ~~and~~ securities and precious metals bullion:
  - (i) to protect them against material loss, and
  - (ii) to detect and account for potential losses (for regulatory, financial and insurance purposes) on a timely basis.
- (2) A *Dealer Member's* policies and procedures must specifically address the minimum requirements for safeguarding cash ~~and~~ securities and precious metals bullion as described in sections 4422 through 4433.
- (3) The *Corporation* recognizes that a *Dealer Member* with a small operation may be unable to comply with Rule 4400 requirements to segregate duties. If these minimum requirements are inappropriate because of a *Dealer Member's* small size, it must implement alternative control procedures that the *Corporation* approves.

**4422. Receipt and delivery of securities and precious metals bullion**

- (1) *Employees* who receive and deliver physical securities and precious metals bullion must not have access to the *Dealer Member's* ~~security~~securities and precious metals bullion records.
- (2) The *Dealer Member* must handle securities and precious metals bullion in a restricted and secure area.
- (3) The receipt and delivery of securities and precious metals bullion must be promptly and accurately recorded (including certificate numbers, registrations, and coupon numbers).
- (4) A *Dealer Member* using mail service must send negotiable certificates by registered mail.
- (5) A *Dealer Member* must obtain signed receipts from the client or agent for all securities and precious metals bullion not delivered against payment.

**4425. Protecting securities and precious metals bullion**

- (1) A *Dealer Member* must assess the risk of any ~~securities~~ location that holds *securities* or precious metals bullion for it and for the accounts of its clients.
- (2) A *Dealer Member's* processing controls must separate duties for recording entries from duties for initiating transfers on depository *records* (for instance, transfers between the "free" and "seg" boxes).
- (3) At least monthly, a *Dealer Member* must reconcile its *records* of *security*, precious metals bullion and other asset positions to the custodian's *records* where ~~securities~~the positions are held. The *Dealer Member* must investigate differences and make appropriate adjustment entries as necessary.
- (4) A *Dealer Member* must have a proper written custody agreement with each custodian where *securities* and precious metals bullion are held.

**4426. How to handle security records**

- (1) *Employees* maintaining and balancing *securities* and precious metals bullion *records* must not be involved in handling physical *securities* and precious metals bullion.
- (2) A *Dealer Member* must promptly update its *securities* and precious metals bullion *records* to reflect changes in location and ownership of *securities* and precious metals bullion under its control.
- (3) Journal entries made to *securities* and precious metals bullion *records* must be clearly identified and a *Dealer Member* must review and approve adjustments before processing.

**4427. Rules for counting securities**

- (1) At least once a year, a *Dealer Member* must count physical *securities* and precious metals bullion held:
  - (i) in *segregation*, and
  - (ii) for *safekeeping*,in addition to its annual external audit physical ~~security~~securities and precious metals bullion count.
- (2) At least monthly, a *Dealer Member* must count physical *securities* and precious metals bullion held in current boxes.
- (3) Only *employees* who do not handle *securities* and precious metals bullion may conduct physical ~~security~~securities and precious metals bullion counts.
- (4) Count procedures must include all physical *securities* and precious metals bullion held in the box location subject to the count and must simultaneously verify related positions such as positions in transit or in the process of being transferred.
- (5) During a physical ~~security~~securities and precious metals bullion count, both the description of the *security* and the quantity must be compared to the *Dealer Member's*

*records*. Any discrepancies must be investigated and corrected promptly. Positions not reconciled within a reasonable period must be promptly reported to the *Dealer Member's* appropriate *Executives* and accounted for.

**4428. Moving certificates ~~and~~, securities and precious metals bullion between branches**

- (1) A *Dealer Member* must record the location of certificates in transit between its offices in separate transit accounts on its *security position records*. The *Dealer Member* must reconcile these accounts monthly.
- (2) When *securities or precious metals bullion* are in transit, a *Dealer Member* must book out the *securities or precious metals bullion* from the branch account and book them into the transit account. When the *securities or precious metals bullion* are physically received at a branch, the *Dealer Member* must book them out of the transit account and into the receiving branch's account.
- (3) The receiving branch must check *securities or precious metals bullion* received against the accompanying transit sheet.
- (4) The methods of transportation a *Dealer Member* chooses for *securities or precious metals bullion* in transit must:
  - (i) comply with insurance policy terms, and
  - (ii) take into account the value, negotiability, urgency, and cost factors.

**4433. Cash**

- (1) The department manager or another appropriate manager must review and approve all bank reconciliations.
- (2) At least monthly, a *Dealer Member* must reconcile bank accounts in writing, identifying and dating all reconciling items.
- (3) Journal entries to clear reconciling items must be made on a timely basis and approved by a department manager or another appropriate manager.
- (4) Bank accounts must be reconciled by *employees* who do not have:
  - (i) access to funds, either receipts or disbursements, or
  - (ii) access to ~~securities~~*security, precious metals bullion or derivative positions*, or
  - (iii) record keeping responsibilities that include the authority to write or approve journal entries.

4434. - 4449. Reserved.

**PART C - INSURANCE REQUIREMENTS**

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**4451. Definitions**

(1) The following terms have the meanings set out below when used in Part C of Rule 4400:

"base amount"	The greater of:  (i) the aggregate client net equity for all client accounts, where net equity for each client is the excess, if any, of the total value of cash, <i>securities</i> , <u><i>derivatives</i></u> , <u><i>precious metals bullion</i></u> , and <i>other acceptable property</i> the <i>Dealer Member</i> owes to the client over the total value of cash, <i>securities</i> , <u><i>derivatives</i></u> , <u><i>precious metals bullion</i></u> , and <i>other acceptable property</i> the client owes to the <i>Dealer Member</i> , and  (ii) the aggregate <i>Dealer Member</i> liquid and other allowable assets calculated in accordance with Form 1, Statement A.
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**4456. Financial institution bond**

- (1) A *Dealer Member* must have and maintain insurance against losses, using a financial institution bond with a discovery rider attached or discovery provisions incorporated in the financial institution bond. The five types of losses the insurance must cover are:
- (i) **Fidelity** - Any loss, including loss of property, from a dishonest or fraudulent act of a *Dealer Member's* employees:
    - (a) committed anywhere, and
    - (b) committed alone or with others.
  - (ii) **On premises** - Any loss of money, *securities*, *precious metals bullion*, or other property through robbery, burglary, theft, hold-up or other fraudulent means, mysterious disappearance, damage, or destruction while in any of:
    - (a) the insured's offices,
    - (b) a banking institution's offices,
    - (c) a clearing house, or

- (d) a recognized place of safe-deposit, all as defined in the *standard form financial institution bond*.
- (iii) **In transit** - Any loss of money and negotiable or non-negotiable *securities*, [precious metals bullion](#) or other property, while in transit. The value of *securities*, [precious metals bullion](#) in transit in an *employee's* or *agent's* custody must not exceed the protection under this clause. In transit coverage must be calculated on a dollar for dollar basis. A *Dealer Member* must provide, for *Corporation* approval, a list of exceptions to the money, *securities*, [precious metals bullion](#), or other property protected under this clause.

**RULE 4700 | OPERATIONS – BUSINESS CONTINUITY AND GENERAL TRADING AND DELIVERY STANDARDS**

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**4701. Introduction**

- (1) Rule 4700 sets out the following requirements relating to *Dealer Member* operations:
  - Part A - Business continuity plan  
[sections 4710 through ~~4714~~4716]
  - Part B - General trading and delivery standards applicable to all transactions  
[sections 4750 through 4761]

**4702. - 4709. Reserved.**

**PART A - BUSINESS CONTINUITY PLAN**

**4710. Definitions**

- (1) The following terms have the meanings set out below when used in Part A of Rule 4700:

<u>“significant business disruption”</u>	<u>A cybersecurity incident or any other incident that may result in a significant impairment in client access to their <i>security</i>, <i>precious metals bullion</i> or <i>derivative</i> positions or accounts or to the client’s ability to liquidate or close-out their account positions.</u>
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**4711. Introduction**

- (1) To manage risk prudently and maintain investor confidence, *Dealer Members* must ensure they can continue to carry on business after a *significant business disruption* and provide clients with prompt access to their assets.

**~~4711~~4712. Creating a business continuity plan**

- (1) A *Dealer Member* must establish and maintain a business continuity plan.

**~~4712~~4713. Business continuity plan procedures**

- (1) A *Dealer Member's* business continuity plan must identify the procedures it will take to deal with a *significant business disruption*.
- (2) The procedures in subsection ~~4712~~4713(1) must be based on the *Dealer Member's* assessment of its key business functions and required levels of operation during and following a disruption.
- (3) The procedures in subsection ~~4712~~4713(1) must provide reasonable assurance the *Dealer Member* stays in business long enough to meet its obligations to its clients and capital markets counterparties after a *significant business disruption*.

**~~4713~~4714. Update business continuity plan**

- (1) A *Dealer Member* must update its business continuity plan to reflect any significant change in any of its operations, structure, business, or locations.

**~~4714~~4715. Annual review and test**

- (1) Every year:
  - (i) a *Dealer Member* must review and test, and
  - (ii) an appropriate *Executive* must approve,its business continuity plan.
- (2) During its annual review, a *Dealer Member* must make any modifications to its business continuity plan that are necessary due to changes in its operations, structure, business, or locations.
- (3) The *Corporation* may require a qualified third party to carry out the annual review and test.

**4716. Notice of disruption and invoking the business continuity plan**

- (1) Where a *significant business disruption* occurs, the *Dealer Member* must
  - (i) notify the *Corporation* of this incident as soon as possible after its discovery of the disruption,
  - (ii) include in the notice, details on the disruption and the *Dealer Member's* proposed course of action to address and resolve the disruption, as well as resulting consequences of the disruption,
  - (iii) indicate in the notice whether the *Dealer Member* intends to invoke its business continuity plan, and
  - (iv) inform the *Corporation* of any changes and provide timely updates on the actions set out in the notice, and provide any additional information requested by the *Corporation*.
- (2) When a *Dealer Member* invokes its business continuity plan, it must
  - (i) notify the *Corporation* as soon as possible,

- (ii) provide details on the circumstances leading the Dealer Member to invoke its business continuity plan and its proposed course of action, and
- (iii) inform the Corporation of any changes and provide timely updates on the actions set out in the notice, and provide any additional information requested by the Corporation

**4717.** – 4749. Reserved.

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

**4901. Introduction**

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

**DERIVATIVES RISK MANAGEMENT**

**4910. Introduction**

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

**4915. Pricing**

- (1) In addition to the requirements in Part C of Rule 4200, a *Dealer Member* must comply with the requirements in subsections 4915(2) through 4915(4) in pricing *derivatives*.
- (2) ~~Derivatives~~Derivative positions must be marked to market at least daily.