

**Appendix 6 – Revised Proposed Amendments compared to 2022 publication**

**1201. Definitions**

“designated Supervisor”

A *Supervisor* that the *Dealer Member* makes responsible for a supervisory role defined in the ~~HR~~ROC*Corporation* requirements, including a *Supervisor* responsible for:

- (i) the supervision of futures contracts ~~and, forward contract, contracts for difference,~~ futures contract option and similar derivative contract trading accounts under Part ~~DF~~ of Rule ~~3200~~3900,
- (ii) the supervision of options and similar derivative contract trading accounts under Part ~~DF~~ of Rule ~~3200~~3900,
- (iii) the supervision of *discretionary accounts* under Part ~~EG~~ of Rule ~~3200~~3900,

...

“derivative”

A contract or an instrument classified as:

~~A~~n option, swap, futures contract, forward contract, futures contract option, contract for difference, or

any other financial or commodity contract or instrument whose market price, value, 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.

**1201. Definitions**

...

“hedger”

A non-*individual* that:

- (i) is exposed to one or more risks as a necessary part of its business activities, and

(ii) seeks to hedge ~~each~~such risk by engaging in *derivatives* transactions where:

(a) the underlying interest for the transactions is the same as or materially related to the underlying interest for the risk,

(b) the intended effect of the transactions is to:

(I) eliminate or reduce the risk related to fluctuations in the *market value* of the underlying interest or position being hedged, or

(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

(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.<sup>7</sup>

...

“market value”

(i) For the purposes of the monthly, quarterly, and annual reporting for securities, derivatives and precious metals bullion:

...

(b) where a reliable price cannot be determined:

...

(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:

(A) cost, and

(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:

“There is no active market for this [security/derivative/ precious metals bullion] so we have estimated its market value.”

(c) where a value cannot be reliably determined under subclauses (i)(a) and (i)(b) of this definition:

<sup>7</sup> In French, clarifications were made to better reflect in the English.

- (I) no value shall be reported, and
- (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:

“Market value not determinable.”

- (ii) For the purposes of the daily and intra-day reporting for securities, derivatives and precious metals bullion:
  - (a) that are quoted on an active market, the value determined according to subclause (i)(a) of this definition,
  - (b) where a reliable price cannot be determined and:
    - (I) the position has been recently valued in accordance with the Dealer Member’s valuation policies and procedures, the last value calculated for the position, or
    - (II) the position has not been recently valued, the value and, if applicable, disclosure determined according to subclause (i)(b) of this definition,
  - (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.<sup>8</sup>

### **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).

<sup>8</sup> In French, we have made corrections to the definition of "market value" to account for changes that were made in English in 2022 but were inadvertently not applied in French.

**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 *securities* or derivatives are those that are reasonable to enable the *Approved Person* to meet their obligations under Rule 3400.

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

...

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

...

(ii) in the case of transactions in futures contracts, forward contracts, contracts for difference and similar derivative contracts:

- (a) the 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 date,

**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), ~~send a daily statement~~ 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.

Replacing the term “IIROC” with “Corporation” or “the Corporation” as applicable throughout.

In French, replacing “*operation sur dérivés*” with “*operation sur dérivé*” to move to singular.