

IIROC NOTICE

Rules Notice

Guidance Note

Dealer Member Rules

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Guidance on Investment in a Dealer Member – Notification and Approval

This Guidance Note (the **Guidance**) describes how to notify or obtain IIROC approval for ownership of a Dealer Member or its holding companies, in compliance with IIROC Rules sections 2106 and 2108.

This Guidance replaces the following Notices, which are repealed effective immediately:

- [MR0308](#) Investor Notification and Approval Process
- [MR0142](#) Investor Notification and Approval Process
- [MR0074](#) Changes in Ownership or Share Capital of Member Firm and Holding Companies.

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1. Notification of Investments of less than 10% in a Dealer Member

1.1 Initial Investment

For an initial investment of less than 10% in a non-publicly traded Dealer Member or its holding companies, the Dealer Member must file a written notification with IIROC's Membership & GCO Specialist at least 20 days before the transaction date and submit:

- (i) a completed Investor Notification Form
- (ii) pre/post-corporate-organization charts and updated investor schedules.¹

Dealer Members are not required to file an application through the National Registration Database (NRD) for acquisitions resulting in less than 10% holdings.

1.2 Subsequent Investment(s)

Subsequent purchases by the same investor require the Dealer Member to submit only a notification letter to IIROC's Membership & GCO Specialist with updated investor schedules, unless the purchase results in a significant equity interest in the Dealer Member or its holding companies (see section 2). The Dealer Member must also send a notification letter for the subsequent purchase to IIROC's Membership & GCO Specialist at least 20 calendar days before the transaction.

2. District Council Approval of Investments of 10% or more in a Dealer Member

2.1 When does this process apply?

The approval process for ownership of a Dealer Member or its holding companies applies to any investment considered a "significant equity interest"², whether the Dealer Member's or its holding companies' shares are publicly traded or not. This includes:

- (i) 10% or more of the voting securities of the Dealer Member or its holding companies
- (ii) 10% or more of the outstanding participating securities of the Dealer Member or its holding companies
- (iii) an interest of 10% or more of the total equity of the Dealer Member.

If an investor holds or proposes to acquire convertible securities of the Dealer Member, we will consider the investor's ownership to include partial or full conversion of all classes of convertible securities held or proposed to be acquired by that investor.

¹ The investor schedules must show the number of shares owned (with percentages), both before and after the proposed transaction.

² See definition of "significant equity interest" in sub-section 2102(1) of the IIROC Rules

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2.2 Initial Investment

2.2.1. Before the Transaction

Dealer Members must file a written notification with IIROC's Membership & GCO Specialist (see section 2.6) at least 30 days before the proposed closing date and must:

- (i) obtain District Council approval for an investment by an investor of a significant equity interest
- (ii) submit an Investor Application Form for all significant equity interest holders, pre/post corporate organization charts, and updated investor schedules
- (iii) if the investor in a Dealer Member is an individual, file an Initial Registration submission *Form 33-109F4 Registration of Individuals and Review of Permitted Individuals (Form F4)* through NRD under the IIROC Investor category and include the Permitted Individual/Shareholder³ category, unless the individual is already approved with a Dealer Member (an **Approved Person**)
- (iv) if the investor is an Approved Person, file a *Change of Individual Categories Form 33-109F2 Change or Surrender of Individual Categories* under the IIROC Investor category and include Permitted Individual/Shareholder category where applicable under *Item 4 – Adding categories*.

Dealer Members must determine if the transaction triggers the filing of a notice under section 11.9 and/or 11.10 of *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)*, and if so, make any necessary filing.

2.2.2 After the Transaction

After the transaction is completed, Dealer Members must submit:

- (i) a *Form 33-109F4 Item 17 - Ownership of Securities and Derivatives Firms Change* (through NRD) if the investor in a Dealer Member is a Permitted Individual/Shareholder
- (ii) a *Form 33-109F5 Change of Registration Information (Form F5)* with the applicable securities regulatory authority⁴ to update the information in its *Form 33-109F6 Firm Registration (Form F6)*.

³ See paragraph 1.1 (b) and (c) in NI 33-109 for the "permitted individual" definition. See "Terms" section of Form F4 for the "shareholder" definition.

⁴ In jurisdictions where the provincial securities regulator has delegated firm registration authority to IIROC, Dealer Members must submit the Form F5 to IIROC, with a copy to the provincial securities regulator. In jurisdiction where the provincial securities regulator has not delegated firm registration authority to IIROC, Dealer Members must submit the Form F5 to their local provincial securities regulator.

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2.3 Subsequent Investment(s)

For subsequent purchases by the same investor, Dealer Members must submit a notification letter and updated investor schedules to IIROC's Membership & GCO Specialist. Instead of a notification letter, Dealer Members may file a Form F5 along with the updated investor schedule. Dealer Members also may be required to file an update through NRD.

Additionally, Dealer Members must update Item 3.12 of Form F6 through a Form F5 and submit this to the applicable securities regulatory authority⁵.

Where applicable, a Dealer Member must file a Form F4 *Item 17 – Ownership of Securities and Derivatives Firm* submission within 10 days of closing if the investor in a Dealer Member is a Permitted Individual/Shareholder.

2.4 Dealer Member Change of Control

Where a proposed transaction involves a change of Dealer Member control and the acquirer intends to make significant changes to the Dealer Member's business and/or operations, a more detailed review may be necessary. IIROC Staff may consider treating the proposed transaction as a new Dealer Member application.

2.5 Items Addressed in Approval Requests

IIROC Staff's recommendation to District Council depends on whether the transaction is:

- (i) likely to give rise to conflicts of interest
- (ii) likely to hinder the Dealer Member in complying with IIROC rules and securities legislation
- (iii) inconsistent with an adequate level of investor protection
- (iv) otherwise prejudicial to the public interest.

2.6 Content of Written Notice

When preparing their written notice or request under sections 2106 or 2108, Dealer Members should consider including the following information. The relevancy of each item depends on the type and facts of the transaction.

- (i) Explain the business reasons for the transaction.
- (ii) Provide details on the Dealer Member's operations and business plan if the transaction closes. The information on business operation changes should include

⁵ In jurisdictions where the provincial securities regulator has delegated firm registration authority to IIROC, Dealer Members must submit the Form F5 to IIROC, with a copy to the provincial securities regulator. In jurisdiction where the provincial securities regulator has not delegated firm registration authority to IIROC, Dealer Members must submit the Form F5 to their local provincial securities regulator.

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- the details required in Item 3.1 of Form F6 (i.e. primary business activities, target market, and the products and services the Dealer Member provides to clients).
- (iii) Provide details of the entities involved in the transaction, including their business description, corporate address, full legal name of officers, directors and investors – including their dates of birth, any other names they may be known as and their residential addresses for the past five years.
 - (iv) Detail any changes to the Ultimate Designated Person (**UDP**), the Chief Compliance Officer (**CCO**), key management, directors, officers, permitted individuals and Approved Persons that may flow from the proposed transaction. If the Dealer Member making the application is not contemplating personnel changes, confirm this.
 - (v) Provide details of the Dealer Member’s policies and procedures that address conflicts of interest that may arise because of the transaction.
 - (vi) If there is a potential conflict of interest arising from the transaction, explain how the Dealer Member making the application will address this conflict of interest.
 - (vii) Confirm the parties to the transaction have the resources to comply with all applicable conditions of registration and provide details supporting this.
 - (viii) Provide details on whether directors, officers, partners and Approved Persons of the Dealer Member, if applicable, will comply with section 4.1 of NI 31-103 (restrictions on acting for another registered firm) and whether any cross registrations arise from the transaction.
 - (ix) Provide details of all client communications that have occurred or are planned. If the Dealer Member does not propose to communicate with clients about the transaction, confirm and explain why.
 - (x) Provide the draft press release announcing the transaction. If the Dealer Member does not plan to issue a press release, confirm this and explain why.
 - (xi) Confirm the proposed closing date.
 - (xii) Provide details of the corporate structure, both before and after the closing of the proposed transaction, including all affiliated companies and subsidiaries of the acquirer and any registered firm involved in the proposed transaction whether interests in a company, partnership or trust are held directly or through a holding company, trust or other entity.

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2.7 Other Considerations

The Partners, Directors and Senior Officers Course must be completed by:

- (i) Any Director of a Dealer Member who directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more.
- (ii) Any person other than a Director of a Dealer Member, who is actively engaged in the business of a Dealer Member and directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more.

2.8 Approval

The Dealer Member will receive approval directly from IIROC and through NRD for the investor.

3. Applicable Rules

This Guidance relates to the following PLR sections:

- 2106
- 2108

4. Previous Guidance Notes

This Guidance replaces the following:

- [MR0308](#) Investor Notification and Approval Process (dated September 14, 2004)
- [MR0142](#) Investor Notification and Approval Process (dated May 23, 2002)
- [MR0074](#) Changes in Ownership or Share Capital of Member Firm and Holding Companies (dated May 9, 2001)

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