

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
CLEAN COPY OF DEALER MEMBER RULE 2300 – ACCOUNT TRANSFERS AND BULK ACCOUNT
MOVEMENTS

RULE 2300

ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS

2300.1. Definitions. In this Rule 2300 the expression:

“**Account Transfer**” means the transfer in its entirety of an account of a client with a Dealer Member to another Dealer Member at the request or with the authority of the client;

“**CDS**” means The Canadian Depository for Securities Limited / La Caisse Canadienne de Dépôt de Valeurs Limitée;

“**Delivering Dealer Member**” means the Dealer Member from which the account of the client is to be transferred or moved;

“**Receiving Dealer Member**” means the Dealer Member to which the account of the client is to be transferred or moved;

“**Partial Account**” means any assets and balances in the account of a client to be transferred or moved from a delivering Dealer Member to a receiving Dealer Member which comprise less than the total assets and balances held by the delivering Dealer Member for that account;

“**Recognized Depository**” means a clearing corporation or depository which has been recognized by the Board of Directors pursuant to Rule 2000.

Account Transfers

2300.2. Account Transfers. Each account transfer shall be effected wherever possible through the facilities or services of a clearing organization or depository which has been recognized by the Board of Directors. The procedures to be followed for full or partial account transfers shall be as set out in this Rule 2300.

Written communications by Dealer Members with other Dealer Members required in connection with compliance with this Rule 2300 including, without limitation, delivery of Request for Transfer forms and Asset Listings shall be transmitted by electronic delivery through the Account Transfer Facility of CDS, unless both Dealer Members agree otherwise. Each Dealer Member shall bear its own costs in respect of the receipt or delivery of such communications. Each Dealer Member shall be responsible for the selection, implementation and maintenance of appropriate security products, tools and procedures sufficient to protect any communications sent by electronic delivery by such Dealer Member.

Each Dealer Member acknowledges that communications sent by it by electronic delivery pursuant to this Rule 2300 will be relied on by the other Dealer Members receiving them and such Dealer Members sending a communication shall indemnify and save harmless any such other Dealer Members against and from any claims, losses, damages, liabilities or expenses suffered by such Dealer Members and arising as a result of reliance on any such communication which is unauthorized, inaccurate or incomplete.

- 2300.3. Authorization. Each receiving Dealer Member which receives a request from a client to accept an account shall provide the client with an Authorization to Transfer Account form in a form approved by the Corporation.

On return of the Authorization to Transfer Account form to the office designated by the receiving Dealer Member, duly executed by the client, the receiving Dealer Member shall promptly send a Request for Transfer form (as approved by the Corporation) by electronic delivery through the Account Transfer Facility of CDS providing the prescribed information required by CDS. The original copy of the Authorization to Transfer Account form shall remain on file pursuant to Rule 200.1 with the receiving Dealer Member and will be made available at any time upon request.

In addition, the receiving Dealer Member shall ensure that such forms or documents as may be required in order to transfer trustee accounts, provincial stock savings plan accounts or other accounts which cannot be transferred without such other forms or documents are duly completed and available on the same day as the electronic delivery of the Request for Transfer form.

- 2300.4. Response to Request for Transfer. On electronic receipt of the Request for Transfer, the delivering Dealer Member shall either deliver electronically to the receiving Dealer Member the Asset Listing of the client account being transferred by the return date as specified, or reject the Request for Transfer if the client account information is unknown to the delivering Dealer Member, or is incomplete or incorrect. The return date shall be no later than two clearing days after the date of electronic receipt at the delivering Dealer Member.

If for any reason, an impediment exists which prevents the requested transfer of an asset for an account from the delivering Dealer Member to the receiving Dealer Member, the delivering Dealer Member shall forthwith notify the receiving Dealer Member electronically, identifying such asset(s) and the reason for the inability to deliver. The receiving Dealer Member shall obtain instructions or directions from the client and deliver them electronically to the delivering Dealer Member with regard to that asset.

Transfer of the balance of assets belonging to the client shall be completed in accordance with this Rule 2300.

- 2300.5. Settlement. Within one clearing day after the return date specified on the Request for Transfer, the delivering Dealer Member shall input, or cause the Account Transfer facility at CDS to implement automatically, the set up for settlement of those assets which are to be settled through CDS. All other assets shall be delivered using the standard industry practice for such assets.

No Dealer Member shall accept transfer of an account from another Dealer Member which is not margined in accordance with regulatory requirements, unless at the time of the transfer, the receiving Dealer Member has in its possession sufficient available funds or collateral for the credit of the client to cover the deficiency in the account.

Any assets which cannot be transferred through recognized depositories shall be settled over the counter or by such other appropriate means as may be agreed between the receiving Dealer Member and the delivering Dealer Member, with the same time limits specified above for assets which can be transferred through a depository.

- 2300.6. Failure to Settle. If the delivering Dealer Member fails to settle the transfer of any asset in the account of a client within 10 clearing days of the receipt of the Request for Transfer form by electronic delivery, the receiving Dealer Member may complete the account transfer by, at its option:

- (a) Buying-in the unsettled position in accordance with Rules 800.39 to 800.44;
- (b) Establishing a loan of the assets from the receiving Dealer Member to the delivering Dealer Member through a recognized depository, which loan shall be marked to market and the relevant assets shall be deemed to have been delivered to the receiving Dealer Member for the purpose of settling the account transfer; or
- (c) Making such other mutually agreed arrangements with the delivering Dealer Member such that the account transfer can be deemed to have been completed for the client.

2300.7. Non-Certificated Mutual Funds. Assets in an account to be transferred in the form of non-certificated mutual fund securities shall be considered transferred upon delivery by the delivering Dealer Member to the receiving Dealer Member of a duly completed Dealer to Dealer Mutual Fund Transfer form as approved by the Corporation and a properly completed and endorsed power of attorney, or by entry of transfer instructions in the electronic account transfer facility of Mutual Funds Clearing and Settlement Services Inc.

2300.8. Miscellaneous Balances. Balances comprising interest or dividend receipts shall be settled promptly between a delivering Dealer Member and receiving Dealer Member and the failure to so settle such balances for any reason shall not constitute grounds for not complying with the account transfer procedures contained in this Rule 2300.

2300.9. Capital Charges. Delivering Dealer Members shall not be subject to capital or margin charges in respect of assets which are in the process of being transferred in accordance with this Rule 2300. The receiving Dealer Member shall be required to margin all assets or balances which are in the process of being transferred in accordance with this Rule 2300.

2300.10. Fees and Charges. The delivering Dealer Member shall be entitled to deduct any fees or charges on accounts to be transferred prior to or at the time of transfer in accordance with that Dealer Member's current published schedule for such fees and charges.

2300.11. Exemptions. The Corporation may exempt a Dealer Member from the requirements of this Rule 2300 where he or she is satisfied to do so would not be prejudicial to the interests of the Dealer Member, its clients or the public and in granting such exemption the Corporation may impose such terms and conditions, if any, as he or she may consider necessary.

Bulk Account Movements

2300.12. Bulk account movements exemption. In the event of a bulk account movement situation, where a Dealer Member is receiving in a significant number of client accounts, the Corporation may grant the Dealer Member an exemption from the applicable account opening requirement completion timelines.

The Corporation will grant such exemption only if it is satisfied that to do so would not be prejudicial to the interests of the Dealer Member's clients, the public or the Dealer Member.

In granting such an exemption, the Corporation may impose such terms and conditions, if any, it may consider necessary.