

Rules Bulletin

Request for Comments

DC Rules

24-0293

October 17, 2024

Comments Due By: February 4, 2025

Contact:

Member Regulation Policy

Email: memberpolicymailbox@ciro.ca

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Rule Consolidation Project – Phase 4

Executive Summary

The Canadian Investment Regulatory Organization (**CIRO**) is publishing for comment Phase 4 of its Rule Consolidation Project rule proposals.¹ The Rule Consolidation Project will bring together the two member regulation rule sets currently applicable to investment dealers² and to mutual fund dealers³ into one set of member regulation rules applicable to both categories of CIRO Dealer Members.⁴

The objective of Phase 4 of the Rule Consolidation Project (**Phase 4 Proposed DC Rules**) is to adopt requirements that are mostly unique to the IDPC and MFD Rules and have been assessed as having differences deemed to be significant with potential material impacts on stakeholders.⁵

¹ [Rules Bulletin 23-0089](#) published on June 30, 2023, announced the Rule Consolidation Project objectives, principles and roadmap. [Rules Bulletin 23-0147](#), [Rules Bulletin 24-0007](#) and [Rules Bulletin 24-0145](#) proposed new rules as part of Phase 1, Phase 2 and Phase 3 of the Rule Consolidation Project, respectively.

² CIRO Dealer Members that are registered as an investment dealer or are registered as both an investment dealer and a mutual fund dealer are required to comply with the CIRO Investment and Partially Consolidated (**IDPC**) Rules.

³ CIRO Dealer Members that are registered as a mutual fund dealer and not registered as both an investment dealer and a mutual fund dealer are required to comply with the CIRO Mutual Fund Dealer (**MFD**) Rules.

⁴ Where a CIRO Dealer Member is a participant in one or more of the markets overseen by CIRO they also must comply with the CIRO Universal Market Integrity Rules (**UMIR**). UMIR will not be consolidated with other CIRO Rules as part of this project and will continue as a separate CIRO Rule set.

⁵ Important stakeholders that were considered include investors, the public, investment dealers and their Approved Persons and employees, mutual fund dealers and their Approved Persons and employees and CIRO itself.

The Phase 4 Proposed DC Rules involves the adoption of rules relating to:

approval and proficiency for individuals,
managing significant areas of risk, and
business conduct and client accounts rules.

How to Submit Comments

Comments on the Phase 4 Proposed DC Rules should be in writing and delivered by February 4, 2025 (110 days from the publication date of this Bulletin) to:

Member Regulation Policy
Canadian Investment Regulatory Organization
Suite 2600
40 Temperance Street
Toronto, Ontario M5H 0B4
e-mail: memberpolicymailbox@ciro.ca

A copy should also be delivered to the Canadian Securities Administrators (**CSA**):

Trading and Markets
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West Toronto, Ontario M5H 3S8
e-mail: tradingandMarkets@osc.gov.on.ca

and

Capital Markets Regulation
B.C. Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2
e-mail: CMRdistributionofSROdocuments@bcsc.bc.ca

Commentators should be aware that a copy of their comment letter will be made publicly available on the CIRO website at www.ciro.ca

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1. Background

One of the initial CIRO priorities is to consolidate the IDPC Rules and MFD Rules into one set of rules, the CIRO Dealer and Consolidated (DC) Rules, applicable to both investment dealers and mutual fund dealers.

The primary objectives of this consolidation work are:

- to achieve greater rule harmonization to:
 - ensure like dealer activities will be regulated in a like manner,
 - minimize regulatory arbitrage between investment dealers and mutual fund dealers,
- where practical and appropriate, adopt less prescriptive, more principles-based rule requirements to facilitate rules that are scalable and proportionate to the different types and sizes of dealer and their respective business models, and
- improve access to and clarity of the rules applicable to all CIRO Dealer Members.

Taking these objectives into consideration, the following decisions have been made relating to the structure and content of the DC Rules:

Matter	Decision
Rule organization structure and numbering approach	Use the IDPC Rule organization structure
Rule drafting convention	Standard rule with, where applicable, alternative compliance approaches to accommodate business model differences
Rule drafting style	Plain language
Rule development and implementation approach	The entire set of DC Rules will be implemented as a whole with an appropriate transition period.

The fourth phase of the Rule Consolidation Project focuses on:

- managing significant areas of risk (DC Rule 1500),
- individual approval rules (DC Rules 2500, 2600, and 2800),
- business conduct and client accounts rules (DC Rules 3100, Part B, 3200, 3300, 3400, 3500, 3600, and 3900), and
- review procedures for approvals (DC Rules 9200, 9300, and 9400).

Rule Series	Title and Description
1000	<p>Interpretation and Principles Rules– provisions relating to:</p> <ul style="list-style-type: none"> • Rule interpretation – DC Rule 1100 <ul style="list-style-type: none"> ○ <i>Delegation by a Dealer Member</i> • Definitions of common application throughout the rules – DC Rule 1200 <ul style="list-style-type: none"> ○ <i>Definition of the term “investment product”</i> • Managing significant areas of risk – DC Rule 1500
2000	<p>Dealer Member Organization and Registration Rules – provisions relating to:</p> <ul style="list-style-type: none"> • Dealer Member Directors and Executives, and Approval of Individuals – DC Rule 2500 • Proficiency Requirements and Exemptions from Proficiencies – DC Rule 2600

	<ul style="list-style-type: none"> • The National Registration Database – DC Rule 2800
3000	Business Conduct and Client Accounts Rules – provisions relating to: <ul style="list-style-type: none"> • Dealing with Clients - Conflicts of Interest - DC Rule 3100 • Know-Your-Client and Client Accounts – DC Rule 3200 • Product Due Diligence and Know-Your-Product – DC Rule 3300 • Suitability Determination – DC Rule 3400 • Sales Practices – DC Rule 3500 • Communications with the Public – DC Rule 3600 • Supervision – DC Rule 3900
4000	Dealer Member Financial and Operational Rules – rules concerning Dealer Member financial and operational matters
5000	Dealer Member Margin Rules – Rules concerning margin requirements
6000	Reserved for future use
7000	Debt Markets and Inter-Dealer Bond Brokers Rules – Rules concerning debt market trading activities and inter-Dealer bond brokers
8000	Procedural Rules - Enforcement – rules concerning investigations, enforcement proceedings, disciplinary proceedings, hearing committees, and rules of practice and procedure
9000	Procedural Rules - Other – provisions relating to: <ul style="list-style-type: none"> • Approvals and Regulatory Supervision – DC Rule 9200 • Regulatory Review Proceedings – DC Rule 9300 Procedures for Opportunities to be heard before Decisions on Approval and Regulatory Compliance Matters – DC Rule 9400

2. Phase 4 Proposed DC Rules

To provide details of the Phase 4 Proposed DC Rules, the following documents have been included as appendices to this Bulletin:

- a clean copy of the Phase 4 Proposed DC Rules is included as Appendix 1
- a blackline comparison of the Phase 4 Proposed DC Rules to the equivalent IDPC Rules (or previously proposed DC Rules) is included as Appendix 2⁶
- a table of concordance comparing the Phase 4 Proposed DC Rules to any existing equivalent requirements in the IDPC Rules, MFD Rules and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (where applicable) is included as Appendix 3.

In the next sections of this Bulletin, we summarize the key elements of the Phase 4 Proposed DC Rules, which in most cases are the adoption of existing rule provisions from the IDPC Rules, the

⁶ A blackline comparison of the Phase 4 Proposed DC Rules to the equivalent MFD Rules has not been included as it was determined, due to the decision to use the existing IDPC Rule approaches to rule organization, numbering and drafting language (i.e., plain language) that including the comparison would not assist in reviewing the proposed amendments.

MFD Rules or both sets of existing rules. We also discuss how all proposed provisions differ from their corresponding IDPC Rule or MFD Rule provision in the Table of Concordance found in Appendix 3.

2.1 Additional account types and services we are proposing to allow mutual fund dealers to offer

Taking into consideration stakeholder comments received regarding Phases 1-3, the following decisions have been made relating to the additional account types and services we will propose to allow mutual fund dealers to offer:

- **Whether to propose expansion of the account types that can be offered by mutual fund dealers:** After discussing stakeholder comments with the Canadian Securities Administrators (CSA), it has been determined that CIRO will not proceed to propose to allow mutual fund dealers the ability to offer discretionary accounts, managed accounts or order execution only accounts as part of the Rule Consolidation Project. Any such proposals would be developed in consultation with the CSA as part of a separate policy project with a separate timeline.

To reflect this decision within the Phase 4 Proposed DC Rules, the application of the following requirements has been limited to investment dealers:

- proposed DC Rule 3200, Part D (sections 3240 and 3241), which sets out the additional account opening requirements applicable to order execution only accounts,
- proposed DC Rule 3200, Part G (sections 3270 through 3281), which sets out the additional account opening requirements applicable to discretionary and managed accounts,
- proposed DC Rule 3900, Part E (section 3955), which sets out the additional supervisory requirements applicable to order execution only accounts, and
- proposed DC Rule 3900, Part G (sections 3970 through 3973), which sets out the additional supervisory requirements applicable to discretionary and managed accounts.

Other similar revisions will be proposed within the proposed Phase 5 amendments that relate to discretionary accounts, managed accounts and order execution only accounts.

- **Whether to propose expansion of the account services that can be offered by mutual fund dealers:** After discussing stakeholder comments with the CSA, it has been decided that CIRO will proceed to propose to allow mutual fund dealers the ability to:
 - offer margin accounts to clients in some scenarios, provided that certain conditions are met (these proposed requirements will be detailed in a later publication regarding Phase 5 of the Proposed DC Rules), and
 - use client free credit cash balances within their operations.

As such the following sections in the IDPC Rules, which already applied to the general term 'Dealer Member', have not been amended to reflect their applicability to Investment Dealer Members and/or Mutual Fund Dealer Members within the Phase 4 Proposed DC Rules:

- proposed DC Rule 3200, Part E (sections 3245 through 3247), which sets out the additional account opening requirements applicable to margin accounts.

Instead, substantive changes, including certain requirements that may only apply to a specific type of Dealer Member or activity, will be proposed in Phase 5. Similarly, substantive revisions to the Proposed DC Rules regarding the use of free credit cash balances will be detailed within the proposed Phase 5 amendments.

As is the case with all of the other Phase 4 Proposed DC Rules, these proposed expansions to the account services that can be offered by mutual fund dealers are subject to CSA review and approval. Further, should we receive a significant number of material comments on these proposed expansions that suggest that pursuing them will be highly controversial, we may decide to pursue them as separate proposals so as to not delay the completion of the Rule Consolidation Project.

2.2 Rule interpretation and definitions of common application throughout the rules (DC Rules 1100 and 1200)

2.2.1 Delegation and automation

In Phase 1, we adopted existing IDPC Rule section 1103 relating to delegation and asked stakeholders whether we should:

- generally permit the use of delegation, subject to specific prohibited exceptions itemized elsewhere throughout the rules

or

- generally prohibit the use of delegation, subject to specific permitted exceptions itemized elsewhere throughout the rules

Most commenters believe that CIRO should generally permit delegation subject to specific prohibited exceptions itemized throughout the rules as they believe permitting delegation fosters flexibility and efficiency. Through our consultations, stakeholders further highlighted the need for clarity regarding the use of technology to manage regulatory processes.

In response to feedback received, we are proposing:

- to generally permit delegation with specific prohibited exceptions, and
- changes to our general delegation provision, which would allow a Dealer Member to automate tasks or activities where our rules require an individual to perform a specific function. (DC Rule section 1103)

We believe these changes will support the increased demand for the use of regulatory technology, which will support the minimization of compliance risk, improve outcomes, and lower costs.

2.2.2 Definition of “investment product”

In Phase 1, we adopted the MFD Rule definition for “investment” as follows:

“Any asset, excluding cash, held or transacted in a client account by the Dealer Member.”

In Phase 4, we have decided to repeal and replace this “investment” definition with a new proposed definition for the term “investment product” as follows:

“ A product that:

(i) is a security,

(ii) is a derivative,

(iii) is precious metals bullion, or

(iv) has been approved by the Board as an investment product.”

We believe this proposed “Investment product” definition provides more clarity and flexibility as it:

- captures the core categories of investment products that are currently specifically listed within the IDPC Rules (i.e. securities, derivatives and precious metals bullion)
- captures both long positions and short positions (by removing the reference to “assets”)
- gives the CIRO Board the ability to determine that other products are considered to be “investment products” and are subject to specific CIRO rule requirements.

Our intention with introducing this definition is to be able to clarify within our rules when a regulatory obligation relates to:

- all “investment product” offerings, or
- offerings of only certain investment products (such as securities or derivatives or precious metals bullion)

Within the remainder of the Phase 4 Proposed DC Rules, we have proposed using this new “investment product” defined term within the rule requirements relating to the following regulatory obligations

- requirements to not engage in personal financial dealings and tied selling
- know-your-client and client identity verification requirements
- relationship disclosure requirements
- leverage risk disclosure requirements
- requirement to disclose transaction and certain other charges on a pre-trade basis
- margin account agreement requirements
- derivatives trading agreement and letter of undertaking requirements
- product due diligence and know-your product requirements
- suitability determination requirements
- client priority requirement
- trading and account supervision requirements

2.3 Approved Person regime, proficiency requirements, and managing significant areas of risk (DC Rules 1500, 2500 and 2600)

In this section of the Bulletin, we discuss the proposed requirements relating to:

- Approved Person categories as applied across investment dealers and mutual fund dealers (specifically: Director; Executive; Ultimate Designated Person (**UDP**); Chief Compliance Officer (**CCO**); Chief Financial Officer (**CFO**); Supervisor; and Registered Representative), including proficiency requirements for each category of Approved Person,
- general requirements that apply to certain categories of Approved Person (specifically Directors and Executives), and
- managing significant areas of risk.

Some of these requirements present a significant change to the MFD Rules with the intention to harmonize the standards for Approved Persons across Dealer Members with the existing requirements set out in the IDPC Rules. This harmonization ultimately ensures that investors across different types of Dealer Members will be serviced by professionals whose dispensing of investment advice, supervision, and senior oversight is regulated by the equivalent standards.

To avoid imposing unduly burdensome compliance requirements, where appropriate and pragmatic, the proposed Approved Person regime sets out an approach that has been tailored to mutual fund dealers. In this way, we seek to balance the objective of rule harmonization with the objective of rule scalability, the latter of which calls for rules that are proportionate to the different types and sizes of Dealer Members and their respective business models.

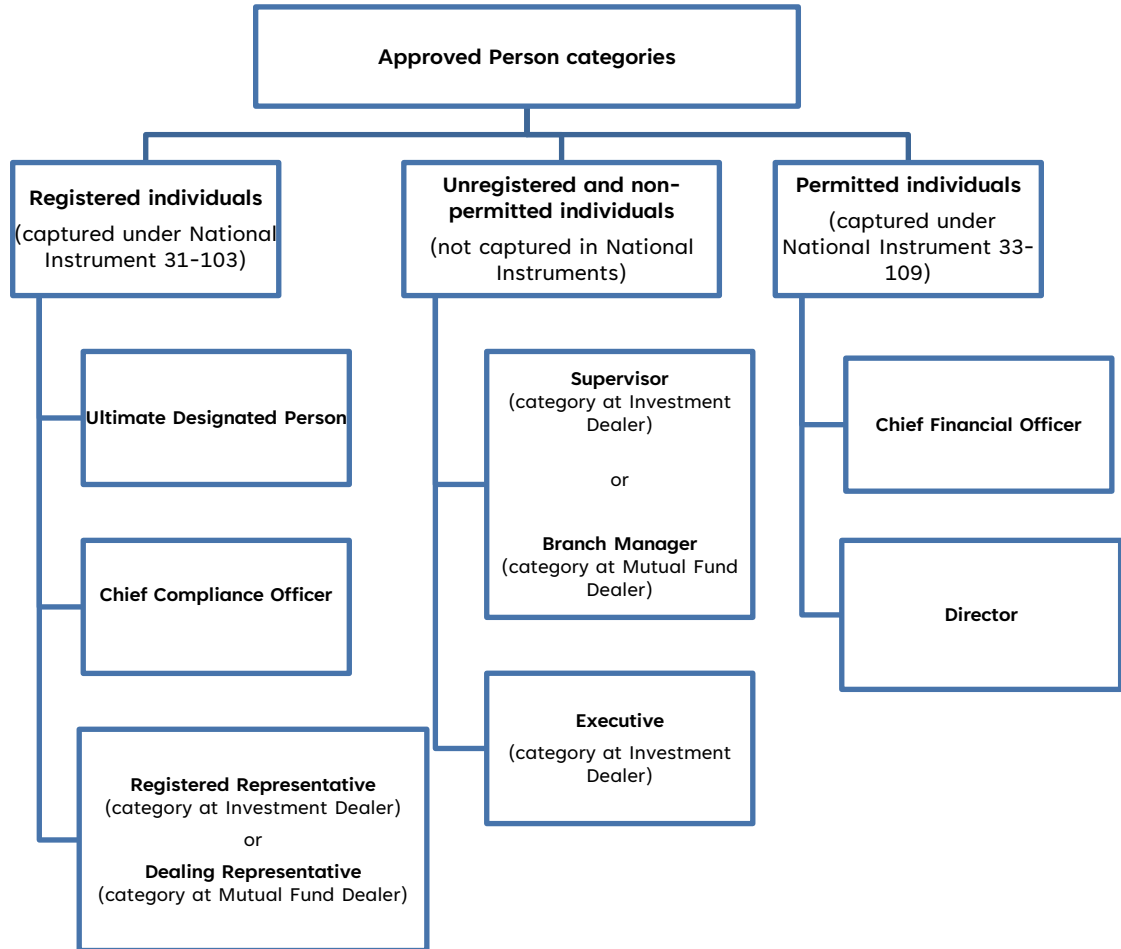
2.3.1 Overview of proposed changes to harmonize the Approved Person regime and corresponding proficiency requirements

Our ultimate overarching view is that to best achieve harmonization under the Rule Consolidation Project, protect investor interests, and minimize industry confusion, the CIRO Approved Person regime (including the CIRO approval process, whereby an applicant must apply to CIRO and be reviewed and approved by CIRO in order to become an Approved Person) and the corresponding proficiency requirements, should apply to both investment dealers and mutual fund dealers.

However, at this time, we are proposing to extend the existing CIRO approval process to apply to the Approved Person categories of mutual fund dealers only where those categories are not subject to an underlying securities legislation registration requirement. Those mutual fund dealer Approved Person categories subject to an underlying securities legislation registration requirement will be automatically considered Approved Persons under the Phase 4 Proposed DC Rules, without being subject to the entire CIRO approval process. The rationale for this proposal is detailed in the below sections of this Bulletin.

Existing Approved Person regime

The following categories are included in the existing Approved Person regime under the IDPC Rules, MFD Rules and/or National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**National Instrument 31-103**), and apply across both types of Dealer Members:



Proposed Approved Person regime for mutual fund dealers

For investment dealers, the CIRO approval process and the proficiency requirements for Approved Persons who also require securities registration are set out in the IDPC Rules. National Instrument 31-103 sets out the general requirement that individuals who conduct regulated activities be registered under securities legislation, but it is silent with respect to the proficiency requirements of these registered individuals where they are subject to the requirements of CIRO. This avoids having two separate regulations that cover the same regulatory ground.

In contrast, for Approved Persons of mutual fund dealers, the MFD Rules set out proficiency requirements for some categories of Approved Persons, while National Instrument 31-103 explicitly sets out the registration and proficiency requirements for registered individuals of mutual fund dealers who are also considered Approved Persons under the MFD Rules.

The Phase 4 Proposed DC Rules will replace these MFD Rule provisions and consequently CIRO's Approved Person regime, including the CIRO approval process and proficiency requirements, will apply to all Dealer Members. However, based on the existing regulatory landscape and given the current drafting of National Instrument 31-103, the CSA proficiency requirements under National Instrument 31-103 would also continue to apply to registered individuals of mutual fund dealers. We recognize that industry and client confusion may result if the SRO review process and proficiency requirements for Approved Persons who are also registered individuals of mutual fund dealers are set out in two separate regulations across different regulators.

In contrast, under the existing regulatory regime, Approved Persons of a mutual fund dealer who are not subject to registration requirements under securities legislation are also not subject to a CIRO review at any point to be considered an Approved Person. Instead, the MFD Rules merely require that the mutual fund dealer ensure that said individual meets the requirements of that Approved Person category.

As such, under the Phase 4 Proposed DC Rules, we propose that any mutual fund dealer Approved Person category that is not subject to registration under securities legislation should be subject to the same CIRO approval process and proficiency requirements as their counterparts at investment dealers. Specifically, this will include the following categories of Approved Persons for mutual fund dealers:

- Director,
- Executive,
- Chief Financial Officer, and
- Supervisor (currently referred to as "Branch Managers").

To allow for these different approval requirements depending on the type of Dealer Member and Approved Person category, the Phase 4 Proposed DC Rules bifurcate the definition of "Approved Person" according to the type of Dealer Member. The definition that applies to investment dealers remains materially unchanged. However, the part of the definition that applies to mutual fund dealers must be read with the qualification set out in proposed DC Rule sub-clause 2551(1)(iii)(b), which states that the approval of a CCO, UDP, and Registered Representative will be automatic upon the individual's registration. The effect of this drafting is that registered individuals of mutual fund dealers will be able to rely on the registration process under National Instrument 31-103 to be automatically considered an "Approved Person" under the Proposed DC Rules. (*DC Rule subsection 1201(2) "Approved Person"*)

Initial feedback is not uniform across the industry

Given that many different types of businesses, and individuals within those businesses, will be impacted by the harmonized Approved Person and proficiency regime, varied views on the best approach as to how to apply these requirements in the DC Rules are to be expected.

In Phase 1, we asked stakeholders to submit comments regarding the harmonization of the Approved Person regime. The feedback was varied and did not indicate that pervasive one approach would be preferred across the industry. In some instances, feedback was directly opposed to the feedback posed by other commenters. Some examples include:

- Multiple commenters indicated that CIRO should harmonize registration, education, and proficiency standards across Dealer Members, while multiple other commenters indicated that CIRO should not harmonize these requirements given that the activities of mutual fund dealers have not changed;
- Some of these commenters stated that updated requirements should be given ample time for implementation, while other commenters indicated that existing registrants should be grandfathered so that any new and/or updated requirements only apply to new registrants; and
- Commenters asked CIRO to consider the impact of harmonization on smaller dealers in terms of technology, compliance, or other costs (on an initial and going-forward basis).

We acknowledge that these proposed changes are likely to have a significant impact on mutual fund dealers. However, one of the primary objectives of the Rule Consolidation Project is to ensure that like activities of Dealers are regulated in a like manner. Standardizing the Approved Person regime and proficiency requirements will ensure that the clients of mutual fund dealers can be confident that their advisers, and the oversight of those advisers, are subject to the same standards as are afforded to clients of investment dealers. Each of these Approved Person categories are responsible in some way for regulated responsibilities. Allowing mutual fund dealers' Approved Persons categories who are not subject to registration requirements under securities legislation to avoid any review process by a securities regulatory authority, while their investment dealer counterparts are subject to a CIRO approval process, results in too stark of a difference in the protections provided to their respective clients.

While this proposal presents significant changes to the approval and proficiency requirements for unregistered Approved Persons of mutual fund dealers, we have sought to avoid undue regulatory burden on mutual fund dealers by allowing Approved Persons that are registered individuals to continue to rely on that registration to meet the Approved Person requirements. Further, we intend to make these changes effective after a sufficiently long implementation period that allows impacted individuals adequate time to meet the proposed new, or materially changed, requirements.

Continuing education requirements under the proposed Approved Person regime

Note that under the IDPC Rules and MFD Rules, some of the Approved Person categories are subject to continuing education requirements. The continuing

education requirements that apply to a given category of Approved Person are not harmonized across the IDPC Rules and MFD Rules.

CIRO is working on a separate project to review and update the continuing education requirements for the Approved Persons of both investment dealers and mutual fund dealers. That project falls outside of the scope of the Phase 4 Proposed DC Rules. Note that any changes to the continuing education requirements will be incorporated into the Rule Consolidation Project at a later stage.

2.3.2 Approved Person categories subject to securities legislation registration requirements

This section pertains to Approved Person categories that are contemplated under both the IDPC Rules and MFD Rules, and that are also registered individuals under securities legislation (and whose proficiency and registration obligations are set out under National Instrument 31-103):

- Investment dealers and mutual fund dealers:
 - Ultimate Designated Person
 - Chief Compliance Officer
- Investment dealers only:
 - Registered Representative*
- Mutual fund dealers only:
 - Dealing Representative*

* Note: These roles are defined by these distinct categories under their respective Rulebooks. However, both roles are under the registration category of 'dealing representative' pursuant to securities legislation.

Approval process and proficiency requirements for Approved Persons who are subject to securities legislation registration requirements

At this time, we are not proposing to impose an additional CIRO approval process on mutual fund dealer Approved Persons subject to registration and proficiency requirements under National Instrument 31-103. Instead, where these individuals are registered in the equivalent individual registration category under National Instrument 31-103 (which includes the satisfaction of proficiency requirements listed therein), they will be automatically approved in the appropriate Approved Person category under the DC Rules.

For investment dealers, the existing CIRO approval and proficiency regime under the IDPC Rules, and the registration requirements under National Instrument 31-103, will continue to apply under the DC Rules.

Harmonizing the defined Approved Person category in DC Rules to align registered representatives and dealing representatives

Under both the IDPC and MFD Rules, Registered Representatives and Dealing Representatives (respectively) share substantively the same responsibilities and restrictions relating to their role as an Approved Person. This is by design: these

roles are both fundamentally based on the registration category of *dealing representative*, as set out in National Instrument 31-103.

We propose using the same Approved Person category for this role across Dealer Members, specifically the title of a Registered Representative as defined in the DC Rules, to make it clear that these individuals fulfill the same general function across both types of Dealer Members.

2.3.3 Approved Person category: *Supervisor*

The Supervisor and branch manager roles, as set out in the IDPC Rules and MFD Rules respectively, are highly similar with respect to their both general oversight function and specific responsibilities assigned.

The role of branch manager is unique to the MFD Rules, requires designation by the Dealer Member without being subject to CIRO review, and does not require registration under securities legislation.

The term Supervisor is unique to the IDPC Rules and does not require registration under securities legislation.

Both rulebooks refer to these roles as a specific Approved Person category. The key difference between the respective rulebooks is that a Supervisor is required to undergo review by CIRO to be considered an Approved Person. In contrast, a branch manager is only required to be designated by the sponsoring mutual fund dealer to be considered an Approved Person.

Harmonizing defined titles for Supervisors and branch managers

Given that the principles and core material responsibilities of a branch manager under the MFD Rules are already contemplated under the concept of Supervisor in the IDPC Rules, we propose to subsume the branch manager category of Approved Person under the existing IDPC definition of Supervisor. (*DC Rule subsection 1201(2) "Supervisor"*)

This retitling exercise does not necessarily result in material changes to the substantive responsibilities of branch managers of mutual fund dealers. The existing Supervisor requirements under the IDPC Rules are principles-based and can be broadly applied to encompass the existing responsibilities of branch managers under the MFD Rules, provided that the stated requirements for Supervisors are indeed met by the existing supervisory structure and responsibilities that a given mutual fund dealer has in place. For instance, the principles-based approach to supervision under the IDPC Rules does not rely on a physical branch or location to dispense a Supervisor's responsibilities, but nor does it prohibit a location-based supervisory structure. As a result, if they so choose, mutual fund dealers may be able to apply their existing branch manager regime to comply with the requirements for Supervisors under the Proposed DC Rules, provided all requirements are met.

Lastly, the IDPC Rules contain a definition for the term “designated Supervisor,” which includes certain functions that are not relevant for mutual fund dealers. To harmonize the supervisory rules under the DC Rules and allow them to apply across Dealer Members, we propose to delete the term “designated Supervisor” and instead refer to Supervisors. Where specific proficiencies are required to supervise certain functions that only apply to investment dealers, those proficiencies are specified in the proficiency requirements. (*DC Rule clauses 2602(3)(xviii)-(xxvii)*)

Harmonizing the Approved Person review process for Supervisors across Dealer Members

Mutual fund dealer Supervisors (currently defined as “Branch Managers” under the MFD Rules) are not registered under securities legislation. However, Supervisors carry significant oversight responsibility for functions that directly impact investors, given that they are responsible for oversight of registered individuals as well as providing oversight for client accounts.

To ensure investor protection and confidence with respect to these functions, we believe that CIRO must review applicants for Supervisors of mutual fund dealers in the same way that is currently required for their counterparts at investment dealers. This is necessary to ensure that CIRO has confirmed the adequate experience and aptitude of such an applicant prior to that individual being able to act in a Supervisor capacity and is aligned with the primary objective of ensuring that like Dealer Member activities are regulated in a like manner.

Maintaining proficiency requirements for Supervisors across Dealer Members

Given our proposal to harmonize the title and the CIRO Approved Person review process for Supervisors of investment dealers and mutual fund dealers, our ultimate goal is to harmonize proficiency requirements for these roles across Dealer Members.

However, there are significant differences between the existing proficiency requirements of an investment dealer’s Supervisor and a mutual fund dealer’s branch manager. As such, we propose to maintain the different existing proficiency standards in place for Supervisors across the different types of Dealer Members. An assessment of the appropriate proficiency for Supervisors, and whether that proficiency can be harmonized across Dealer Members, will be undertaken in a separate project.

2.3.4 Approved Person category: *Executive*

The Approved Person category of “Executive” is set out within the IDPC Rules. The IDPC Rules not only define “Executive” as a type of Approved Person, but also require that:

- Investment dealers assign an Executive to be responsible for managing significant areas of risk,
- Investment dealers document and maintain a list of those Executives, and

- Executives appointed by investment dealers are responsible to review policies and procedures for their designated area of risk.

However, this category does not require registration under securities legislation and is not explicitly contemplated as a type of Approved Person under the MFD Rules.

We propose to extend the category of Executive to apply to mutual fund dealers, for the reasons set out below. (*DC Rule subsection 1201(2) "Executive"*)

Clarifying amendments to the definition of Executive

We propose to streamline the definition of Executive by clarifying the types of individuals intended to be captured under this category of Approved Person.

The category of Executive is intended to capture individuals who are involved in a Dealer Member's senior management that manage, and/or have authority over, areas of the Dealer Member's business that involve, and/or have an impact on, regulatory requirements. The existing IDPC Rule drafting of the definition of Executive does not make this clear. Dealer Members have expressed confusion regarding whether every member of senior management listed in the existing definition needs to be approved as an Executive, even if they do not have responsibility as related to regulatory obligations. This is not the intended result of the Executive category.

Another concern with the existing definition of Executive is that it lists the positions of a Dealer Member's Directors, and the Vice Chair and Chair of the board of directors. These individuals are already captured under the Approved Person category of Director and should not be captured as Executives unless they also meet the criteria as described in the proposed definition.

See section 2.3.5 of this Bulletin for a summary of the proposed changes related to these roles under the requirements for Director.

Managing significant areas of risk

Rule 1500 of the IDPC Rules sets out that investment dealers are required to assign Executives to manage significant areas of risk within the firm. We believe that these requirements are also appropriate for mutual fund dealers, as they ensure that all significant areas of risk are managed by an individual whose proficiency and experience has been approved by CIRO. (*DC Rule 1500*)

However, we acknowledge that there may be less complexity in the corporate structure of smaller mutual fund dealers, and that they may not have internal structure that is complex or layered enough to require that additional Executives be assigned to manage risks beyond the purview of existing mandatory Approved Persons (namely, as the UDP and CCO).

Our proposed drafting accommodates these different business structures without imposing unnecessary regulatory burden. The proposed amendments to definitions of Approved Person and Executive must be read with DC Rule sections 2505 - 2507 and the requirements set out in DC Rule 1500. These provisions confirm that the

UDP, CCO and CFO must be Executives. Notably, there is no requirement in Rule 1500 that a Dealer Member must appoint Executives beyond the UDP, CCO, and CFO. Therefore, mutual fund dealers who opt to rely on existing Executive roles (namely, the UDP and CCO), with the proposed required addition of the CFO role, to fulfill Rule 1500 will be able to do so assuming that their oversight structure is sufficient for its business and meets all requirements under the DC Rules.

This result provides flexibility in that mutual fund dealers who wish to designate additional Executives to manage significant areas of risk may do so, without creating a requirement that all mutual fund dealers designate Executives beyond the UDP, CCO and CFO to meet their obligations under proposed DC Rule 1500.

Harmonize proficiency requirements for Executives across Dealer Members

Given our proposal to apply the Approved Person category of Executive to Mutual Fund Dealer Members, we likewise propose applying the same corresponding proficiency requirements to Executives generally across Dealer Members. (*DC Rule clauses 2602(3)(xxviii) and 2602(3)(xxxvi)*)

However, we have proposed that the proficiency requirements for Executives should not apply to the categories of UDP and CCO for a mutual fund dealer at this time. Consistent with the rationale set out in section 2.3.2 of this Bulletin, we propose that the UDP and CCO, who are required under the IDPC Rules to be designated and approved as Executives, will automatically be approved as an Executive upon their securities registration with the applicable securities regulatory authorities. (*DC Rule clauses 2602(3)(xxxvi), and 2602(3)(xxxix), and 2602(3)(xl)*)

2.3.5 Approved Person category: Director

Directors are permitted individuals under National Instrument 33-109 *Registration Information* (**National Instrument 33-109**) and are a type of Approved Person under both the IDPC and MFD Rules.

However, several differences apply between the IDPC Rules and MFD Rules regarding directors as Approved Persons. While the IDPC Rules set out proficiency requirements for Directors, the MFD Rules and the National Instrument 33-109 do not. Under the IDPC Rules, Directors are also subject to CIRO's approval process to be considered an Approved Person, whereas directors under the MFD Rules are not.

Harmonizing the definition of Director across Dealer Members

Given that directors were already identified as a type of Approved Person under the MFD Rules, there is no reason not to apply Directors as a category of Approved Person under the DC Consolidated Rules. As such, we propose harmonizing the term 'Director' as defined under the IDPC Rules to apply across Dealer Members. No material changes need to be made to the definition of Director to effect this change. (*DC Rule subsection 1201(2) "Director"*)

Harmonizing the Approved Person regime and proficiency requirements for Directors across Dealer Members

We propose to impose the same Approved Person regime, including the proficiency requirements set out in the IDPC Rules, for all Directors under the Phase 4 Proposed DC Rules. (*DC Rule clauses 2602(3)(xxix) and 2602(3)(xxxvii)*)

Amendments to the general requirements for Directors

The existing general requirements for Directors set out under IDPC Rule subsections 2502(2) and 2502(3) are not clear and conflate, in some respects, the requirements of Directors with the requirements of Executives set out in IDPC Rule section 2503. As such, we propose to adopt a modified version of the IDPC Rule provisions relating to the general requirements for Directors. (*DC Rule section 2502*)

In our view, CIRO should not mandate that at least 40% of a Dealer Member's board of directors be actively engaged in the Dealer Member's, or a regulated affiliate's, business. This requirement is not aligned with the role of directors under corporate law. Instead, the language "actively engaged" better describes the responsibilities of Executives, and as such has been included as a general requirement for Executives. (*DC Rule section 2503*)

2.3.6 Approved Person category: Chief Financial Officer

The IDPC Rules define the term Chief Financial Officer (**CFO**) and state that an investment dealer must designate a CFO. The IDPC Rules assign key responsibilities to the CFO, specifically requirements that require financial subject matter expertise to them. The IDPC Rules further state that a CFO must also be an Executive and set out specific Proficiency requirements for them.

In contrast, mutual fund dealers are not required to designate a CFO as an Approved person under the MFD Rules, nor are CFOs required to be registered pursuant to securities legislation. CFOs are captured under the description of permitted individuals under National Instrument 33-109, but the term is not defined in the MFD Rules and no specific proficiency requirements are imposed upon the CFO role under either the MFD Rules nor National Instrument 33-109.

Furthermore, while requirements that relate to financial obligations are assigned to the CFO under the IDPC Rules, those obligations are either assigned to the mutual fund dealer itself or its UDP under the MFD Rules.

CIRO's understanding of current industry practice for mutual fund dealers is that to fulfill requirements that require financial expertise, many mutual fund dealers typically outsource these requirements to a third-party, such as an auditing firm or utilizing a CFO who performs similar duties for multiple related entities in a large organization. Note, however, that even in these scenarios, under the MFD Rules and National Instrument 31-103 the UDP cannot outsource the ultimate responsibility for the mutual fund dealer to meet its financial obligations.

Applying the CFO requirement across Dealer Members

We propose to adopt the IDPC Rule provisions relating to the general requirements for CFOs across Dealer Members for the following reasons:

- Internal CRO consultation has indicated a strong desire to require CFOs at both types of Dealer Members to ensure a consistent level of financial subject matter expertise across both types of Dealer Members,
- In Phase 1, we asked stakeholders whether we should maintain two different regulatory financial filing forms or one for both categories of Dealer Members. Several commenters supported moving to a single Form 1 that would apply to all Dealer Members. CFOs are integral contributors to that document and have explicit responsibilities and obligations set out within that document,
- CFOs are not required to be actively engaged in the business of the Dealer Member on a full-time basis, if that is appropriate for that Dealer Member's business. This same flexibility would be available to mutual fund dealers, which provides some relief from potential impacts on resourcing as a result of this proposed change.

We have included a question in section 5 of this Bulletin asking for your views on how the CFO requirement could be scaled to better reflect the typical business structure of mutual fund dealers.

Harmonize the Approved Person regime and proficiency requirements for CFOs across Dealer Members

Under the IDPC Rules, CFOs are subject to the Approved Person regime. We propose to impose the same requirements to CFOs across both types of Dealer Members under the Phase 4 Proposed DC Rules, including the corresponding proficiency requirements.⁷

2.4 The National Registration Database (DC Rule 2800)

IDPC Rule 2800 sets out the obligations of investment dealers when using the National Registration Database (NRD). The changes proposed and discussed in the above sections do not require, at this point in time, amendments to the drafting of Rule 2800. To facilitate the use of NRD, we propose that Rule 2800 apply to all Dealer Members, including mutual fund dealers.

2.5 Dealing with Clients - Conflicts of Interest (DC Rule 3100)

In this section of the Bulletin, we discuss the proposed amendments to rule requirements relating to:

- conflicts of interest
- personal financial dealings
- referral arrangements

that may represent a significant format or substantive change to current requirements set out in either the IDPC Rules or the MFD Rules. In general, except where noted, the DC Rules

⁷ Note that CRO is working on updated proficiency requirements to the IDPC Rules in a separate project (see [Bulletin 24-0206](#)). As such, the proficiency requirements for a CFO are subject to change.

represent existing expectations about conflict-of-interest management obligations that are articulated in various sections of the current rules and guidance, and therefore do not impose material new obligations on investment dealers or mutual fund dealers.

2.5.1 Conflicts of interest policies and procedures

We propose to adopt the IDPC Rule provision that requires that an investment dealer have policies and procedures that specifically address material conflict of interest situations. (*DC Rule section 3109*)

The MFD Rules do not have an equivalent specific provision that requires a mutual fund dealer to have such policies and procedures but rather have a general requirement to establish and maintain policies and procedures.

2.5.2 Personal financial dealings – Application to employees

We propose to adopt the IDPC Rule provision that restricts both investment dealer employees and Approved Persons from engaging in any personal financial dealings with clients. The provisions in the equivalent MFD Rules apply only to mutual fund dealer Approved Persons, and do not extend to employees.

It is critical to the integrity of the investment industry to minimize and manage all reasonably foreseeable potential sources of conflicts of interest, which would include conflicts of interest involving employees of Dealer Members. As such, we believe it is appropriate to adopt the IDPC Rule prohibition on engaging in personal financial dealings with clients and apply it to both employees and Approved Persons of all CIRO Dealer Members. (*DC Rule subsection 3110(1)*)

2.5.3 Personal financial dealings – Accepting any consideration

Both the IDPC Rules and the MFD Rules prohibit Approved Persons⁸ from accepting any consideration from any person other than the Dealer Member for activities conducted on behalf of a client. The IDPC Rules, however, provide exceptions to this rule where such consideration is non-monetary, of a minimal value and infrequent, such that a reasonable person would not question whether it created a conflict of interest or otherwise improperly influenced the Dealer Member or its employees, or where compensation relates to an approved outside activity.

We believe these are reasonable exceptions, consistent with those articulated in MFD Rules guidance dealing with personal financial dealings.⁹ We therefore propose to adopt these exceptions. (*DC Rule clause 3110(2)(i)*)

2.5.4 Personal financial dealings – Settlement agreements without the Dealer Member's approval

The IDPC Rules specify that entering into a settlement agreement and/or paying for client account losses out of personal funds without the Dealer Member's prior written consent are both prohibited personal financial dealings. Although the MFD

⁸ As discussed in section 2.5.2, the IDPC Rule prohibition also extends to investment dealer employees.

⁹ See MSN #0047 *Personal Financial Dealings with Clients*.

Rules do not address these activities, MFD guidance dealing with personal financial dealings specifies that no Approved Person may enter into any settlement agreement with a client without prior written consent of the member. We believe the IDPC Rule restrictions are reasonable and propose to adopt this provision. (*DC Rule clause 3110(2)(ii)*)

2.5.5 Personal financial dealings – Borrowing from clients

Both the IDPC Rules and MFD Rules prohibit Approved Persons¹⁰ from borrowing from a client, except where the client is a Related Person pursuant to the Income Tax Act (Canada) and where the Approved Person has obtained written approval of their sponsoring Dealer Member. The IDPC Rules, however, specify that written approval of the member is required only where the Approved Person is an Associate Portfolio Manager, Portfolio Manager, Investment Representative or Registered Representative. We propose to adopt the additional IDPC Rule provision, which targets the most salient conflict, involving client facing Approved Persons.

We also propose to adopt the IDPC Rule exception that permits borrowing from clients that are financial institutions whose business includes lending money to the public and the borrowing is in the normal course of the institution's business. This activity does not present a conflict and extending the exception to mutual fund dealers allows these Dealer Members' employees and Approved Persons to undertake normal course banking activity. (*DC Rule clause 3110(2)(iii)*)

2.5.6 Personal financial dealings – Lending to clients

Both the IDPC Rules and the MFD Rules prohibit Approved Persons¹¹ from lending to a client except where the client is a Related Person pursuant to the Income Tax Act (Canada) and where the Approved Person has obtained written approval of the Dealer Member. The IDPC Rules, however, specify that written approval of the member is required only where the Approved Person is an Associate Portfolio Manager, Portfolio Manager, Investment Representative or Registered Representative. We propose to adopt the additional IDPC Rule provision, which targets the most salient conflict, involving client facing Approved Persons. (*DC Rule clause 3110(2)(iv)*)

2.5.7 Personal financial dealings – Control or authority

Both the IDPC Rules and MFD Rules prohibit Approved Persons¹² from acting as a power of attorney, trustee, executor or otherwise having full or partial control of the affairs of a client. The MFD Rules, however also prohibit Approved Persons from accepting these positions. Under the IDPC Rules, although the source of the conflict arises upon the acceptance of the position, it is not a violation of the rules until the event triggering the Approved Person's responsibilities occurs (e.g. the death or

¹⁰ As discussed in section 2.5.2, the IDPC Rule prohibition also extends to investment dealer employees.

¹¹ As discussed in section 2.5.2, the IDPC Rule prohibition also extends to investment dealer employees.

¹² As discussed in section 2.5.2, the IDPC Rule prohibition also extends to investment dealer employees.

disability of the client). In order to mitigate the issues and complications that arise when the arrangement is required to be unwound at the time it takes effect, we propose to adopt the requirement in the MFD Rules that prohibit accepting such positions.

As with the other personal financial dealings, there are exceptions where the client is a Related Person pursuant to the Income Tax Act (Canada) and where the Approved Person has obtained written approval of the Dealer Member. The IDPC Rules, however, only require written approval of the member where the Approved Person is an Associate Portfolio Manager, Portfolio Manager, Investment Representative or Registered Representative. We propose to adopt the IDPC Rule provision in the DC Rules, as it addresses the most salient conflict, where client facing registrants are involved. (*DC Rule clause 3110(2)(v)*)

2.5.8 Personal financial dealings – Beneficiary status and estate bequests

We propose to add a new restriction to prohibit Approved Persons and employees from accepting beneficiary status or bequests from a client’s estate except where the client is an immediate family member, and in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives and Registered Representatives*, the proposed status or bequest is disclosed to and approved in writing by the *Dealer Member*. We propose to define “immediate family” as parents, grandparents, mother-in-law or father-in-law, spouse or domestic partner, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and any other person who resides in the same household as the Approved Person or employee and the Approved Person or employee financially supports, directly or indirectly, to a material extent. The term includes step and adoptive relationships. We are using the term “immediate family” rather than “Related Person” in this provision to ensure the exemption is appropriately targeted to the specific familial relationships that are commonplace in estate related circumstances, and generally do not give rise to conflict-of-interest concerns. (*DC Rule clause 3110(2)(vi)*)

2.5.9 Referral arrangements

We propose to adopt a modified version of the MFD Rule provisions relating to referral arrangements. The IDPC Rules do not have similar specific provisions, which are contained in sections 13.7 through 13.10 of National Instrument 31-103. Given the frequent use of these provisions by all *Dealer Members*, we believe they should be included in the DC Rules. (*DC Rule section 3114*)

2.6 Know-your-client and client accounts (*DC Rule 3200*)

In this section of the Bulletin, we discuss the proposed amendments to requirements relating to:

- know-your-client obligations
- client identification requirements
- requirements for client accounts

- opening new client accounts - approval responsibilities
- updating client accounts – responsibilities
- relationship disclosure

that may represent a significant format or substantive change to either the IDPC Rules or the MFD Rules. In general, except where noted, the DC Rules represent existing expectations about know-your-client obligations that are articulated in various sections of the current rules and guidance, and therefore do not impose material new obligations on investment dealers or mutual fund dealers.

2.6.1 Know-your-client

We propose to adopt the IDPC Rule provisions, which are less prescriptive than their MFD Rules equivalent¹³ and require Dealer Members to take reasonable steps to collect sufficient know-your-client information regard the client’s (1) personal circumstances, (2) financial circumstances, (3) investment needs and objectives, (4) investment knowledge, (5) risk profile and (6) investment time horizon. The specific documentation that would support complying with this obligation will be contained within guidance, which will allow Dealer Members to tailor their information gathering to their respective business. (*DC Rule section 3202*)

We also propose to specify that the requirement to establish whether the client is an insider of a reporting issuer is imposed only on investment dealers, as such obligations are not required of mutual fund dealers.¹⁴ (*DC Rule section 3202*)

2.6.2 Client identification - Trusts or corporations

We propose to adopt the IDPC approach to disclosure which requires that in the case of a trust, the names and addresses of all trustees and known beneficiaries and settlors of the trust be disclosed. This is a more stringent standard than the MFD approach for trusts, which only requires disclosure of those with control over the affairs of the partnership or trust.¹⁵

We also propose to adopt the IDPC Rule provision that requires that the names of all directors of a corporation be disclosed within 30 days of opening the account. There is no similar disclosure requirement in the MFD Rules. (*DC Rule sections 3203 and 3204*)

2.6.3 Client information - Primary responsibility, delegation and obligation to keep current

We propose not to adopt MFD Rule 2.2.4(e), that requires that a mutual fund dealer must annually request that each client notify them if there has been any material change in client information previously provided. We believe that this requirement

¹³ MFD Rule 200(II)(Documentation of Client Account Information)(3).

¹⁴ See Part 9, section 9.1 of NI 55-104 *Insider Reporting Requirements and Exemptions*.

¹⁵ MFD Rule 2.2.1(2)(b)(ii).

is unduly burdensome, and that it is preferable to adopt the requirements in IDPC Rule subsections 3209(3) and 3209(4) which are consistent with equivalent provisions in National Instrument 31-103 requiring that Dealer Members:

- take reasonable steps to keep current the information required pursuant to know-your-client and other client information obligations, by updating the information within a reasonable time after the Dealer Member becomes aware of a significant change, and
- review (and update if necessary) the know-your client information maintained for:
 - managed accounts and discretionary accounts, no less frequently than once every 12 months
 - advisory accounts, no less frequently than once every 36 months.

To fully harmonize with the equivalent requirements in National Instrument 31-103, we also propose to adopt MFD Rule 2.2.4(f)(i), for mutual fund dealers only. This provision requires a mutual fund dealer to review the client's information within 12 months when transacting in securities it is permitted to transact in because it is registered as an exempt market dealer. (*DC Rule section 3209*)

2.6.4 Account opening policies and procedures – Opening new client accounts

We propose to adopt the IDPC provisions that specifically set out the elements that must be included in a Dealer Members' policies and procedures in respect of account opening. These provisions are generally consistent with those contained in various MFD Rules and guidance,¹⁶ which are not consolidated in one provision, but dispersed throughout the MFD Rules. Grouping related regulatory requirements together promotes regulatory certainty. (*DC Rule section 3213*)

We also propose to adopt a modified version of the IDPC Rule provision that limits the activity in an account to liquidating trades, paying out funds or delivering out investment product positions to the client if the Supervisor does not approve a new account after the initial trade. The corresponding MFD Rule provision¹⁷ restricts the activities to liquidating trades. (*DC Rule section 3214*)

2.6.5 Updating client account information

We propose to adopt the MFD Rule provision for mutual fund dealers only, that permits a mutual fund dealer to use a copy of a client's current account information where they are transacting in securities that require registration under securities legislation as an exempt market dealer, if the account was approved in the past 12 months. (*DC Rule section 3215*)

¹⁶ See MFD Rules 2.2.2, 2.2.3, 2.2.4, and Rule 200(II), MSN-0008 (Policies and Procedures Manual) and MSN-0069.

¹⁷ MFD Rule 200(II)(Documentation of Client Account Information)(10).

2.6.6 Relationship disclosure

We propose to adopt the IDPC Rule provisions relating to relationship disclosure. The IDPC Rule provisions are more comprehensive than what is contained in the MFD Rules but consistent with MFD Rules guidance dealing with relationship disclosure.¹⁸ (*DC Rule section 3216*)

2.6.7 Accepting specific account types

We propose to adopt a modified version of the IDPC Rule provisions relating to the acceptance of specific account types that can be offered by investment dealers, namely derivatives accounts, discretionary accounts, and managed accounts. These changes are meant to clarify the current IDPC Rule drafting, and we expect that they will not impose an additional burden on investment dealers. (*DC Rule sections 3251, 3273, 3277*)

The derivatives disclosure statement required to be provided by an investment dealer to clients with derivatives accounts under DC Rule section 3251 is included in Appendix 5.

2.7 Product due diligence and know-your-product (*DC Rule 3300*)

In this section of the Bulletin we discuss the proposed amendments to requirements relating to know-your-product and product due diligence.

2.7.1 Terminology – Investment products vs securities and derivatives

As discussed in section 2.2.2, we have proposed adding a definition of “investment product” in section 1201. This definition provides more clarity in respect to which products, when offered, are subject to the core regulatory obligations that Dealer Members and their Approved Persons owed to their clients. In describing these obligations, the IDPC Rules relating to product due diligence and know-your-product refer to “securities or derivatives” while the equivalent MFD Rules refer to “investments”, which is broader in scope than the definition of “securities or derivatives”.

Proposed DC Rule sections 3301 (Product due diligence) and 3302 (Know-your-product) specify that these obligations apply to “investment products” to capture other products that a Dealer Member may offer to clients alongside of securities or derivatives. (*DC Rule sections 3301 and 3302*)

2.8 Suitability determination (*DC Rule 3400*)

In this section of the Bulletin, we discuss the proposed amendments to requirements relating to:

- retail client suitability determination
- unsuitable investments in a client account
- suitability of leverage strategies

¹⁸ See MFDA Staff Notice [MSN-0075 Relationship Disclosure](#).

- primary responsibility and delegation

that may represent a significant format or substantive change to either the IDPC Rules or the MFD Rules. In general, except where specifically noted, the proposed DC Rules represent existing expectations about suitability that are articulated in the current rules and guidance, and therefore do not impose material new obligations on investment dealers or mutual fund dealers.

As mentioned in section 2.2.2, we propose to use the term “investment products” to identify the products held by the client that are subject to the suitability determination obligation.

In Phase 1, we asked stakeholders whether Dealer Members should have the options of:

- categorizing their clients as either an “institutional client” or a “retail client” and complying with the rules relevant to each client type, or
- treating all clients as “retail clients” and complying with the rules relevant to retail clients.

Most commenters believe Dealer Members should have the option to categorize clients as “institutional” or “retail,” as this choice enables flexibility.

In response to feedback received, we are proposing to retain the IDPC Rule suitability determination provisions that distinguish between retail and institutional clients. The MFD Rules did not make such distinctions, as the client base was all deemed to be retail.

2.8.1 Retail client suitability determination requirements

We propose to retain the IDPC Rule provision which requires that a Dealer Member must determine whether it is suitable for a retail client to continue having an account with the Dealer Member. This determination is a key element of ongoing suitability responsibilities.

We also propose to include the IDPC Rule provision which requires that the scope of products, services and account relationships to which the retail client has access to within the account, are suitable for the retail client.

In addition, we propose to adopt the approach in the IDPC Rules, which requires Dealer Members to respond to specific events or changes in the client’s account within a “reasonable time”. This differs from the MFD Rule¹⁹ approach which, in particular, specifies that suitability assessments must take place within defined periods where there is a transfer of assets into an account at the mutual fund dealer,²⁰ where the client account is re-assigned to the Registered Representative from another registrant at the mutual fund dealer,²¹ or when the mutual fund dealer or Registered Representative becomes aware of a material change in the client’s

¹⁹ MFD Rule 200(III)(Registered Salespersons). This Rule further clarifies MFD Rule 2.2.6, which indicates that such activities must occur within a “reasonable time”.

²⁰ MFD Rule 200(III)(Registered Salespersons). The assessment must take place no later than the time of the next trade.

²¹ *Ibid.*

KYC information.²² We believe the IDPC approach provides more flexibility without impairing investor protection. (*DC Rule section 3402*)

2.8.2 Unsuitable investments in a client account

We propose to adopt a modified version of the MFD Rule provision²³ which specifies that if, after performing a suitability determination, a *Dealer Member* has determined that an action taken for a client does not meet the suitability determination requirements, the *Dealer Member* must advise the client, make recommendations to address any inconsistencies, and maintain evidence of such recommendations. This provision addresses situations where the unsuitable investment may have not arisen from the action of the *Dealer Member* or *Approved Person*, such as the transfer-in of investment products. We expect that this represents existing practice and will not impose an additional burden on investment dealers. (*DC Rule subsection 3402(5)*)

2.8.3 Suitability of leverage strategies

We propose to adopt a modified version of the MFD Rule provisions²⁴ requiring Dealer Members to have policies and procedures: (1) to assess the appropriateness of leverage strategies, (2) that set out the process for approval for such strategies, and (3) set out related documentation requirements.

This requirement will ensure Dealer Members are mindful of and have procedures to manage the risks inherent in retail clients using borrowed funds to invest. Note that the IDPC Rule Guidance on Borrowing for Investment Purposes²⁵ will be retained and may be supplemented by the more detailed provisions in the MFD Rules. (*DC Rule subsections 3402(6) and 3402(7)*)

2.9 Sales practices (*DC Rule 3500*)

The majority of the provisions in DC Rule 3500 are not applicable to mutual fund dealers, as they deal with matters related to investment banking and distributions. Other provisions related to fees in this Rule that may also apply to mutual fund dealers, are consistent with the requirements in MFD Rules, and National Instrument 81-105 *Mutual Fund Sales Practices*.

2.10 Communications with the public (*DC Rule 3600*)

In this section of the Bulletin we discuss the proposed amendments to the requirements relating to advertisements, sales communications and client communications that may represent a significant format or substantive change to either the IDPC Rules or the MFD Rules.

²² MFD Rule 200(III)(Registered Salespersons). The assessment must take place no later than one business day after the date on which the notice of change in information is received from the client.

²³ MFD Rule 2.2.6(2.1).

²⁴ MFD Rule 200(III)(Leverage Suitability).

²⁵ GN-3200-22-001 – Borrowing for Investment Purposes.

2.10.1 Advertisements, sales communications and client communications

We propose to adopt the approach of review and approval of advertisements, sales communications and client communications taken in the IDPC Rules. Whereas the MFD Rules require that all such communications be “first approved by a partner, director, officer, compliance officer or branch manager”, the IDPC Rules mandate such pre-approval by a Supervisor only for specific types of communication,²⁶ and that the balance be “reviewed in a manner appropriate to the type of material”. We believe this risk-based approach is appropriate and has not resulted in inappropriate publication of material.

We also propose to adopt the MFD Rule provision²⁷ which prohibits communication that uses “an image such as a photograph, sketch, logo or graph which conveys a misleading impression.” This specific prohibition is not currently contained in the IDPC Rules, and we believe it provides additional clarity.

We propose not to include the section in the MFD Rules²⁸ that prohibits client communications that are “inconsistent or confusing with any information provided by the Member or Approved Person in any notice, statement, confirmation, report, disclosure or other information either required or permitted to be given to the client by a Member or Approved Person under the Rules or Forms.” We believe this provision is subjective in respect of what might be considered inconsistent and confusing to a client, and is not necessary as misleading information is prohibited under other sections of this Rule.²⁹

We propose to adopt the IDPC Rule that requires that a Dealer Member retain copies of all advertisements, sales literature and correspondence and all records of supervision for the applicable retention periods. While the MFD Rule relating to books and records³⁰ indicates that records which document correspondence with clients must be retained, the IDPC provision is more specific and captures all relevant documents.

We also propose not to include the provision in the MFD Rules³¹ mandating specific disclosure and Member approval for any reference to rates of return for account reports other than in the investment performance reports. We believe this

²⁶ IDPC Rule subsection 3602(3) requires designated *Supervisor* approval of (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.

²⁷ MFD Rule 2.8.2(a)

²⁸ MFD Rule 2.8.2(e).

²⁹ IDPC Rule sections 3602 and 3640.

³⁰ MFD Rule 5.1(o).

³¹ MFD Rule 2.8.3.

requirement may lead to confusion, and is not necessary, as misleading information is prohibited under other sections of this Rule.³² (DC Rule section 3602)

2.11 Supervision (DC Rule 3900)

In this section of the Bulletin we discuss the proposed amendments to requirements relating to:

- delegation of supervisory tasks
- governance document
- supervision of shared office premises
- account supervision policies and procedures
- daily and monthly trade supervision
- additional supervisory responsibilities
- supervision of new Registered Representatives and Investment Representatives

that may represent a significant format or substantive change to either the IDPC Rules or the MFD Rules. Certain of these changes reflect earlier proposals included in the present Phase of the Rule Consolidation project dealing with registration categories and proficiency requirements, as detailed in the present bulletin.

2.11.1 Delegation of supervisory tasks

As discussed in section 2.2.1 of this Bulletin, we propose to adopt the IDPC Rule approach to delegation, which permits delegation with specific prohibited exceptions itemized throughout the rules. This differs from the MFD Rule approach which prohibits delegation, unless expressly permitted.³³ Regarding the delegation of supervisory tasks, both the IDPC and MFD Rules clearly state that although tasks may be delegated, responsibility for compliance remains with the delegating Supervisor.

In alignment with our proposed changes to our general delegation provision, which would allow a Dealer Member to automate tasks or activities where our rules require an individual to perform a specific function, we are proposing a new provision to ensure the Dealer Member informs the relevant Supervisor of specific tasks or activities that have been automated, ensure the *Supervisor* understands how the automated tasks and activities work, and ensure proper performance of the related function in compliance with CIRO requirements. (DC Rule section 3907)

2.11.2 Responsibilities of UDP/CCO/CFO

IDPC Rules 3910 and 3912-3913 set out the responsibilities of the UDP, CCO and CFO, respectively. The changes proposed and discussed in the above sections do not require, at this point in time, amendments to the drafting of these Rules, which will be applied across Dealer Members.

³² IDPC Rule sections 3602 and 3640.

³³ MFD Rule 2.5.8.

2.11.3 Governance document

We propose to adopt the IDPC Rule requirement to file with the CIRO any material changes made to a Dealer Member's governance document, which sets out the organizational structure and reporting relationships of the Dealer Member.³⁴ This provision regarding material changes to the information is currently not required under the MFD Rules but is necessary to ensure CIRO has current information, and does not represent a significant burden. (*DC Rule section 3916*)

2.11.4 Supervision of shared office premises

We propose to adopt the IDPC Rule which requires the Dealer Member to have policies and procedures that specifically address the supervision requirements to ensure compliance with the requirements related to shared office premises, as contemplated by DC Rule sections 2216 through 2219. Mutual fund dealer compliance with these sections was proposed to be adopted for all Dealer Members in Phase 3.³⁵ (*DC Rule section 3918*)

2.11.5 Supervisory Responsibilities

We propose to adopt the IDPC Rule provision which sets out the Dealer Members' requirement to appoint Supervisors and alternate Supervisors as required, to supervise account opening, and activity, and establishing policies and procedures in respect of account supervision, by appointing appropriate Supervisors. Such Supervisors must have knowledge of applicable CIRO requirements, applicable laws and Dealer Member policies and procedures.

As discussed in section 2.3.3, the amended provisions reflect the proposal to replace the role of "designated Supervisor" with "Supervisor". This provision reflects the various more general provisions in MFD Rules that require such supervision of account activities.³⁶ Consistent with the IDPC Rules, we propose to require that all policies established or amended have supervisory approval, rather than "senior management" approval as required by the MFD Rules.³⁷ (*DC Rule section 3925*)

2.11.6 Account supervision policies and procedures

We propose to adopt the IDPC Rule provision relating to account supervision policies and procedures. These provisions are consistent with MFDA Rule 500 – Branch Review Requirements, except for the specific requirements to:

- identify clients that present a high risk to the Dealer Member and present a high risk of conducting improper activities in the investment markets, and

³⁴ Filed for mutual fund *Dealer Members* pursuant to MFDA Membership Application – Documentation Checklist

³⁵ Phase 3: [Rules Bulletin 24-0145](#), published on April 18, 2024.

³⁶ MFD Rules 2.2.3 and 200(I)(Establishing Procedures)(1)-(3).

³⁷ MFD Rules 2.2.3 and 200(I)(Establishing Procedures)(4).

- have specific policies and procedures that include controls for accessing and amending client records.

We believe it is appropriate to apply these provisions to all Dealer Members to ensure the integrity of the markets and client records are addressed. (*DC Rule section 3926*)

2.11.7 Daily and monthly trade supervision

We propose to adopt the provisions in the IDPC Rules. The detailed enumeration of specific areas to be addressed by the policies and procedures are consistent with and include most of those articulated in the MFD Rules³⁸. MFD Rule 200, however, includes examples of areas of concern, detailed reporting requirements, as well as thresholds for review, which we believe are more suited to be situated in guidance rather than in the DC Rule. This is consistent with the IDPC Rules approach, which contains this more specific guidance in Guidance Note 3900-20-001 Account Supervision.

We also propose to adopt the MFD Rules requirement³⁹ that mutual fund dealers specifically designate for supervision purposes, leveraged accounts, registered accounts and accounts where the Registered Representative has full or partial control or authority over the financial affairs of the client who is a Related Person of the Registered Representative. These were areas identified as representing higher risk for mutual fund dealers, so the separate requirements for mutual fund dealers and investment dealers were retained in order to manage the regulatory risk for mutual fund dealers while not creating additional, unnecessary compliance burdens for investment dealers. (*DC Rule section 3945*)

2.11.8 Supervision of new Registered Representatives and Investment Representatives

We propose to adopt the provisions in the IDPC Rules, which require Dealer Members to closely supervise Registered Representatives and Investment Representatives dealing with retail clients for six months after approval, as set out in the Registered Representative / Investment Representative Monthly Supervision Report. This approach differs from the MFD Rules,⁴⁰ which sets out detailed Supervisory requirements for the first and second 90-day periods comprising the six month supervision period. Consistent with our general approach to take a principles-based drafting approach to the DC Rules, we propose to provide appropriate elements of the requirements formerly contained in the MFD Rules as a suggested means to achieve compliance in accompanying guidance to the DC Rules, where appropriate. (*DC Rule section 3947*)

³⁸ MFD Rule 200(VI).

³⁹ MFD Rule 200(II)(Opening New Accounts)(Documentation of Client Account Information)(5).

⁴⁰ MFD Rule 100.

2.11.9 Supervision of specific account types

We propose to adopt a modified version of the IDPC Rule provisions relating to the supervision of specific account types that can be offered by investment dealers, namely derivatives accounts, discretionary accounts, and managed accounts. These changes are meant to clarify the current IDPC Rule drafting, and we expect that they will not impose an additional burden on investment dealers. (DC Rule sections 3960, 3961, 3970, 3971, 3972, 3973)

2.12 CIRO review procedures for approvals and Membership (DC Rules 9200, 9300 and 9400)

In this section of the Bulletin, we discuss the proposed amendments to rule requirements relating to:

- Approvals and regulatory supervision,
- Regulatory review proceedings, and
- Procedures for opportunities to be heard

that may represent a significant format or substantive change to current requirements set out in either the IDPC Rules or the MFD Rules.

2.12.1 CIRO approvals and regulatory supervision of Approved Persons and Membership

The IDPC Rules pertaining to the approval process for Approved Persons and regulatory supervision of those Approved Persons set out CIRO's authority to make certain decisions regarding the approval regime for individuals and membership of investment dealers. In particular, the authority and procedures regarding the following types of decisions are set out in IDPC Rules 9200 through 9400:

- IDPC Rule section 9204: Approval of individuals
- IDPC Rule section 9205: Dealer Members' Membership approval applications
- IDPC Rule section 9206: Exemptions of proficiency and continuing education requirements for Approved Persons
- IDPC Rule section 9207: Terms and conditions on Approved Persons post-approval
- IDPC Rule section 9208: Terms and conditions on Dealer Members' Membership

The MFD Rules and the MFD Rules of Procedure (ROP) contain similar provisions regarding Approval of Membership and Terms and Conditions on Membership.

Overview of the current regime under the IDPC Rules

Under the former IIROC Rules, the IIROC District Councils played a significant role in the decisions described above, with their exact role in that process depending on the type of decision to be made:

IIROC Rule Section	Decision type	Application received and analyzed by	Opportunity to be heard before initial decision	Review under the IIROC Rules
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9204	Individual Approval applications	IIROC District Council	IIROC District Council	IIROC Hearing Panel
9205	Dealer Membership Approval applications	IIROC District Council (recommendation)	IIROC Board	None
9206	Exemption of proficiency and continuing education applications	IIROC District Council	IIROC District Council	IIROC District Council Panel
9207	Terms and Conditions for Approved Persons, post-approval	IIROC District Council	IIROC District Council	IIROC Hearing Panel
9208	Terms and Conditions for Dealer Members' Membership, post-approval	IIROC Staff	IIROC Senior Officer	IIROC Hearing Panel

Following the amalgamation of CIRO's predecessor organizations, all IIROC District Council regulatory decision-making functions were transferred to CIRO Staff. However, the decision review procedures and their distinctions were otherwise maintained:

IDPC Rule Section	Decision type	Application received and analyzed by	Opportunity to be heard before initial decision	Review under the IDPC Rules
9204	Individual Approval applications	CIRO Staff	CIRO Senior <u>decision</u> officer	CIRO Hearing Panel
9205	Dealer Membership Approval applications	CIRO Staff (recommendation)	CIRO Board	None
9206	Exemption of proficiency and continuing education applications	CIRO Staff	CIRO Senior <u>decision</u> officer	CIRO Senior <u>review</u> officer
9207	Terms and Conditions for Approved Persons, post-approval	CIRO Staff	CIRO Senior <u>decision</u> officer	CIRO Hearing Panel
9208	Terms and Conditions for Dealer Members' Membership, post-approval	CIRO Staff	CIRO Senior <u>decision</u> officer	CIRO Hearing Panel

Per IDPC Rule section 9205, decisions regarding applications for Dealer Membership are made by the Board. Our proposal for IDPC Rule section 9205 is discussed in further detail below.

In the following sections of this Bulletin, we refer to other decisions made under sections 9204, 9206, 9207, and 9208 as “regulatory decisions”.

Streamline the decision review process for regulatory decisions

Based on the current drafting of the IDPC Rules, all regulatory decisions (meaning decisions made pursuant to IDPC Rule sections 9204, 9206, 9207 and 9208) are currently reviewed by a Hearing Panel, except IDPC Rule section 9206 decisions (regarding applications for exemption of proficiency and continuing education), which were historically heard by a District Council Panel and are currently heard by a senior review officer of CIRO.

We propose to align the decision review process for decisions made under DC Rule section 9206 with the other above-listed reviews, so that all decisions under the Proposed DC Rules sections 9204, 9206, and 9207 and 9208 will be reviewable by a Hearing Panel. This creates consistency in the decision review process and will allow applicants who have been refused a proficiency or continuing education exemption to access a Hearing Panel for review.

Furthermore, IDPC Rules 9200 through 9400 contain a multitude of definitions for similar or identical terms. These distinctions were necessary when the decision-making and review process differed depending on the type of decision made.

However, given our proposal to streamline the decision review process for Proposed DC Rules sections 9204, 9206, and 9207-9208, we propose to capture the above decisions under the definition of a ‘regulatory decision’. (*DC Rule subsection 9202(1) “regulatory decision”*)

The term ‘regulatory decision’ is currently a defined term used in Rule 8400, which deals with the Practices and Procedures for Hearing Panel Reviews. For clarification, we propose to expand this definition to reflect all reviews that meet this description. This achieves the primary objective of rule clarification by consistently providing a clear link in the language between Rules 9200 through 9400 and Rule 8400, which helps to convey to the reader that the decision review process is the same for these Rules.

Similarly, we propose to introduce a definition for the term ‘senior decision officer,’ which clarifies that all regulatory decisions will be made by a member of the CIRO’s Staff. (*DC Rule subsection 9202(1) “Senior Decision Officer”*)

Lastly, IDPC Rule section 9203 imposes certain conditions on CIRO regarding the decision review process, such as providing notice, reasons and an opportunity to be heard. Historically, this section applied to the District Council’s decisions. For this reason, IDPC Rule section 9208 contains similar conditions applied to the review processes that did not include the District Council. Given the above proposals (namely, that all regulatory decisions will follow the same decision review process), we propose to make DC Rule section 9203 applicable to all regulatory decisions.

As a result, various repetitive clauses within specific IDPC Rules (such as IDPC Rules subsections 9208(2), 9208(3)) that reference this same process will be deleted.

Clarifying changes to section titles under Proposed DC Rule 9200

To reflect the proposed changes described above, we propose to change the titles of the following sections in Rule 9200 as follows:

Section	Current title	Proposed title
9203	Corporation Decisions	Requirements for regulatory decisions
9204	Individual approval applications	Individual approval applications
9206	Exemption applications	Exemption applications for proficiency and continuing education requirements
9207	Continued Approval	Continued individual approval
9208	Terms and conditions on membership	Terms and conditions on Dealer Members' Membership

Application of the regulatory decision review process to mutual fund dealers

There are no equivalent procedures for regulatory decisions set out under the MFD Rules.

We propose to apply the decision review process, including the changes describe above, to mutual fund dealers, as the same decisional powers, procedures and safeguards should apply across Dealer Members. Some of our key considerations with respect to mutual fund dealers when forming this proposal include:

- CIRO will need the authority to decide on individual approval applications as it imposes its approval process on Approved Persons of mutual fund dealers,
- Mutual fund dealer Approved Persons who are subject to proficiency and continued education requirements under the Proposed DC Rules should be allowed to request exemptions under the same conditions as Approved Persons of investment dealers,
- CIRO Staff must be able to impose terms and conditions on non-compliant Approved Persons of mutual fund dealers under the same circumstances as allowed to do so for Approved Persons of investment dealers,
- CIRO Staff must be able to impose terms and conditions on mutual fund dealers under the same circumstances as allowed to do so for investment dealers.

Membership applications

Per CIRO General By-law No. 1 (GB1) section 3.5, when CIRO Staff receives an application for Membership, CIRO Staff must review and make a recommendation

about the approval or refusal of the application to the Board. CIRO Staff is to provide a copy of its recommendation to the applicant if it proposes refusal.

GB1 section 3.5 further specifies that the Board has full discretion to decide upon an application, but must provide both CIRO Staff and the applicant with an opportunity to be heard. It also specifies that if the Board approves an application subject to terms and conditions, or refuses an application, the applicant shall be provided with the reasons of that decision.

IDPC Rule section 9205 sets out that CIRO Staff is to make a recommendation to the Board regarding a dealer's Membership application and specifies what courses of action CIRO Staff can recommend. The list of actions CIRO Staff can recommend is inconsistent with what is set out in GB1. To reconcile this inconsistency, we recommend removing the list and referring directly to GB1. IDPC Rule section 9205 further indicates that an applicant must receive a copy of that recommendation and its reasons, and must be given opportunity to be heard by the Board prior to the Board making its decision per IDPC Rule 9400. Finally, it indicates that decisions by the Board are final under the IDPC Rules.

The MFD Rules do not contain any rules regarding the Membership application process, except for a right of review for decisions by the Board that are qualified approvals (see MFD Rules sections 8.2.1 and 8.2.2). The review of the Board's initial decision is performed by the Board itself, or a panel/committee the Board may create, and includes an opportunity to be heard. While the MFD Rules thus include an opportunity for a mutual fund dealer to be heard by the Board, this opportunity is only available once the Board has already made its decision.

Neither of the above processes provide a fulsome nor consistent process regarding the Board's review of a decision. As such, we propose to adopt a modified version of IDPC Rule section 9205 to simplify the Proposed DC Rule section 9205 and provide a clear link with GB1. The proposed changes to IDPC Rule section 9205 will set out the following:

- CIRO Staff is required to make a recommendation to the Board, subject to the requirements set out in section 3.5 of GB1,
- The Board must decide upon an application for Dealer Member Membership, subject to the requirements set out in section 3.5 of GB1,
- Indicate that an applicant must be given an opportunity to be heard by the Board prior to the Board making a decision on the application. This requirement further specifies that, prior to exercising its opportunity to be heard, the applicant must receive a copy of CIRO Staff's recommendation and its reasons, and, in case the Board intends to not follow CIRO Staff's recommendation(s), notice of the decision the Board intends to make and the reasons for it, and
- Reaffirm that decisions by the Board on Dealer Member Membership applications are final under the Proposed DC Rules.

The proposed changes provide an improved opportunity to be heard to applicants and a more expedient procedure, both in keeping with administrative law principles and GB1.

For these reasons, we also propose to apply this process across all Dealer Members, including mutual fund dealers. While the changes do not provide for the existing right of review that mutual fund dealers are provided under the MFD Rules (as described above, that following the Board's decision on an application for Membership, the applicant has an opportunity to be heard by the Board), the changes instead provide applicants for Membership with an informed opportunity to be heard before the Board in all possible cases, including when the Board intends to not follow CIRO Staff's recommendation(s). This opportunity to be heard is required before the Board renders its decision, and as such this opportunity is fairer and more reasonable to the applicant than an opportunity for the Board's decision to be reviewed by the same Board after it has already rendered a decision on the matter.

2.12.2 Procedures for opportunities to be heard before decisions on approval and regulatory compliance matters

IDPC Rule 9400 sets out the procedures for opportunities to be heard before CIRO Staff, a Senior Decision Officer, or the Board. Opportunities to be heard by a Senior Decision Officer are dealt with in Part A and opportunities to be heard by the Board are dealt with in Part B of IDPC Rule 9400.

There is no equivalent procedure set out in the MFD Rules, other than the MFD ROP regarding the right of an opportunity to be heard by the Board in case of a review of a Board decision, which we have described above.

Clarifying changes

To reflect the changes proposed in the previous sections of this Bulletin, we propose the following clarifications to the language set out in IDPC Rule 9400:

- Change the title for proposed DC Rule 9400 to 'Procedures for opportunities to be heard before Senior Decision Officers or the Board',
- Under IDPC Rule 9400, the current definition of Registration Staff refers to both registration employees as well as employees who 'conduct compliance examinations under Rule 9100.' To clarify that both registration and compliance staff of CIRO are captured under this defined term, we propose to change the term to 'Registration or Compliance Staff',
- IDPC Rule sections 9405, 9412, 9413(1), 9415 and 9417 refer to written notice and/or reasons. We have proposed clarifying language to better describe those requirements.

Application to mutual fund dealers

Given the primary objective of rule harmonization, and given the rationale set out in this Bulletin under section 2.3 (wherein we propose that the Approved Person

regime in the IDPC Rules should generally be extended to mutual fund dealers, (albeit with some qualifications), we propose to extend the regulatory decisions and review regime that support the Approved Person and Membership processes to be applicable across all Dealer Members, including mutual fund dealers.

3. Impacts of the Proposed DC Rules

3.1 Impact assessment approach

As the Rule Consolidation Project is being pursued in five phases, and the combined impact of the project can only be assessed once development of all five phases has been completed, it would be misleading for us to assess the impact of each phase in isolation from the other phases or to make an assessment of the combined impact of the five project phases until all phases have been developed.

To provide you with some impact information in the interim, we will identify the impacts specific to each project phase as each project phase is published for public comment. We will provide an overall Rule Consolidation Project impact assessment once all 5 phases have been developed.

3.2 Specific impacts of Phase 4 Proposed DC Rules

We have assessed the impact of the material changes being introduced as part of the Phase 4 Proposed DC Rules as having an overall positive impact on investors; net-neutral impact for CIRO; mostly neutral with some positive impacts for investment dealers, and; net-positive impacts for mutual fund dealers. In general, the impact of Phase 4 on mutual fund dealers is to provide them with more flexibility in how they conduct their business. To address uncertainty members may have when moving from prescriptive Rules to principles-based Rules, CIRO will continue to provide guidance. The guidance will contain more detailed suggestions for members to achieve compliance. The benefits of the new flexibility afforded to mutual fund dealers may be somewhat offset by certain more stringent documentation and record keeping requirements, which would likely be new to only the smaller mutual fund dealers, and additional regulatory requirements with respect to the Approved Person categories and corresponding proficiencies. Ultimately, we concluded the negative impacts in the impact analysis are outweighed by the overall positive impacts.

A complete impact analysis of the Phase 4 Proposed DC Rules is attached as Appendix 4.

3.3 Regional and specific stakeholder group impacts

We have identified no regional impacts associated with the Phase 4 Proposed DC Rules.

4. Alternatives to rule consolidation considered

We did not consider any alternatives to rule consolidation, such as maintaining separate rules for investment dealers and mutual fund dealers as, based on the feedback provided in response to CSA Position Paper 25-404, *New Self Regulatory Organization Framework*, we determined that there is general cross-stakeholder support for rule consolidation.

5. Questions

While comment is requested on all aspects of the Phase 4 Proposed DC Rules, comment is also specifically requested on the following questions:

Question #1 - Definition and application of “investment product”

Will the revised definition, and application of the term “investment product” provide additional clarity to the scope of Dealer Member obligations to clients?

What additional investment products should we consider obtaining Board approval to include in this definition?

Are there different products that should be added for different regulatory purposes?

Question #2 - Applying CFO requirements to mutual fund dealers

We recognize that requiring mutual fund dealers to appoint a CFO may be a significant material change to the governance and resourcing requirements of many such dealers.

We are seeking feedback on several points regarding this proposal:

- For mutual fund dealers who do not support the implementation of this requirement (and in particular, any mutual fund dealer who do not currently have a CFO), we inquire as to who, at an individual level, fulfills their existing financial obligations under MFD Rule section 3 (which broadly assigns the obligations to the ‘Member’ instead of an individual), including a description of who oversees financial risk to clients and the organization on a regular (i.e. daily) basis.
- To what extent, and on what basis, should the proposed CFO requirement reflect the Rule Consolidation Project objective of scalability? For instance, should the requirement for a Dealer Member to designate a CFO only apply to mutual fund dealers in certain scenarios, such as:
 - Based on a certain minimum AUM (and what should that threshold AUM be),
 - If a mutual fund dealer has a corporate governance and/or Executive structure beyond a single UDP/CCO, and/or
 - Based on the complexity of products or services offered (and if so, which products and/or services require the financial expertise of a CFO)?
- Whether there are significant concerns regarding the potential scarcity of CFO candidates in the mutual fund industry and/or the anticipated time horizon to hire a CFO candidate at a mutual fund dealer.

Question #3 – Proficiency requirements and the Approved Person regime for UDP of mutual fund dealers

To avoid an overly burdensome approval process, we proposed that mutual fund dealer sponsored individuals that are registered in the appropriate registration category under

securities legislation should be automatically approved as an Approved Person under the DC Rules.

However, an important distinction exists between the CCO and Dealing Representative categories, which rely on a review process by relevant securities regulatory authorities and minimum proficiency requirements to obtain registration, versus the UDP, which is also reviewed but not required to meet minimum proficiency requirements.

- Given that the UDP has the highest level of liability and oversight in a Dealer Member, is it reasonable to impose the CICO approval process as is currently set out in the IDPC Rules (including the successful completion of courses, examinations, and minimum experience) in addition to the registration required by securities legislation?
- If the answer to the above is ‘yes,’ this may be disruptive to mutual fund dealers whose UDP does not currently meet the proficiency requirements set out in the IDPC Rules. To what extent is it appropriate to exempt these existing UDPs from these requirements, or alternatively, to provide a longer time horizon (beyond the general implementation date) for them to complete their proficiency requirements?

Question #4 – Implementation for existing (unregistered) Approved Persons of Mutual Fund Dealer Members

With respect to the categories of Approved Persons of mutual fund dealers that are not subject to a registration requirement under securities legislation, we have generally proposed these Approved Persons conform to CICO’s Approved Person regime and corresponding proficiency requirements. Our view is that these roles have significant oversight responsibilities that justify this potential additional regulatory burden on mutual fund dealers.

However, the same rationale may not apply for Directors. We expect that directors of mutual fund dealers who were not previously subject to proficiency requirements may not be ‘actively engaged’ in the activities of the business of the mutual fund dealer and do not play an operational, oversight nor managerial role in the dealer’s business. Under the current proposals in Phase 4, these mutual fund dealer Directors would be subject to a CICO approval process and net-new proficiency requirements.

To what extent would it be appropriate to grandfather the existing Directors of mutual fund dealers into the Approved Person regime? Please advise if there are significant concerns regarding this approach, particularly regarding the lack of minimum proficiency requirements of existing mutual fund dealer Directors and whether this could undermine investor confidence in mutual fund dealer as compared to investment dealers.

Question #5 – Transition period for Approved Person categories where new requirements are introduced or existing requirements have been materially changed

We recognize that we have proposed significant changes, including net-new Approved Person categories and corresponding proficiency obligations, to the Approved Person regime for mutual fund dealers. As a result, existing Approved Persons sponsored by mutual fund dealers, as well

as individuals who are not currently considered Approved Persons but will be caught by the proposed DC Rules, may be required to attain additional proficiencies. This may be a time-consuming process and might result in individuals incurring additional professional expenses.

Given the above considerations, should the proposed proficiency requirements for mutual fund dealers' Approved Persons be subject to an extended transition period beyond the general effective date for the DC Rules, and if so, what is an appropriate extended transition period?

Question #6 - Prohibition on accepting certain positions of control or authority over client affairs

Does the addition of the prohibition on an Approved Person or employee accepting a position of power of attorney, trustee, executor or otherwise having full or partial control of the affairs of a client have implications in respect of the relationship between the client and the Approved Person or employee?

Should there be exceptions to this prohibition, and if so, under what circumstances?

Question #7 - Prohibition on being named as beneficiary

Is it appropriate to prohibit an employee or Approved Person from accepting the status of a beneficiary of a client's estate or receiving a bequest from a client's estate upon learning of such status unless they are a member of the client's immediate family?

6. Policy Development Process

6.1 Regulatory purpose

We took the public interest into consideration when developing the Proposed DC Rules and we believe the proposals achieve their intended objective of ensuring that like dealer activities will be regulated in a like manner while minimizing regulatory arbitrage between investment dealers and mutual fund dealers.

We also believe the Proposed DC Rules will foster public confidence in capital markets by ensuring all CIRO Dealer Members will be held to standards of conduct that foster fair, equitable and ethical business standards and practices.

6.2 Regulatory process

The Board of Directors of CIRO (**Board**) has determined the Phase 4 Proposed DC Rules to be in the public interest and on September 20, 2024, approved them for public comment.

We consulted with the following CIRO advisory committees on this matter:

- Investor Advisory Panel
- Conduct, Compliance and Legal Advisory Section (CCLS)
- Financial and Operations Advisory Section (FOAS)
- National and Regional Councils

After considering the comments received in response to this Request for Comments together with any comments of the CSA, CIRO staff may recommend revisions to the Phase 4

Proposed DC Rules. If the revisions and comments received are not material in nature, the Board has authorized the President to approve the revisions on CIRO's behalf and the revised Proposed DC Rules will be subject to approval by the CSA. If the revisions or comments are material, CIRO staff will submit the Proposed DC Rules, including any revisions, to the Board for approval for republication or implementation, as applicable.

6.3 CIRO advisory committee feedback

We have received overall positive feedback regarding the Phase 4 Proposed DC Rules from our advisory committees except for our proposals:

- to extend the requirement to have a CFO on mutual fund dealers – this proposal received mixed reviews. Some commenters expressed that this proposed requirement is not fundamentally problematic, provided the CFO requirement continues to allow part-time CFOs and/or a CFO whose responsibilities could be shared across related companies. However, others raised the question of whether there are enough CFO candidates who meet the necessary proficiencies set out in the IDPC Rules to be immediately approved by CIRO in the Chief Financial Officer category of Approved Persons once the requirement is extended to mutual fund dealers. We have reflected this concern in questions posed in section 5 of this Bulletin, and
- to prohibit *Approved Persons* from accepting positions as a power of attorney, trustee, executor or otherwise having full or partial control of the affairs of a client – this proposal received mixed reviews as to the extent that exceptions to the prohibition would apply and advisory committees expressed a desire for clear guidelines in this regard.

7. Appendices

[Appendix 1](#) – Phase 4 Proposed DC Rules (clean)

[Appendix 2](#) – Phase 4 Proposed DC Rules (blackline)

[Appendix 3](#) – Table of Concordance

[Appendix 4](#) – Impact Analysis of the Phase 4 Proposed DC Rules

[Appendix 5](#) – Derivatives Disclosure Statement (as required under DC Rule section 3251)

[Appendix 6](#) – Monthly Supervision Report (as required under DC Rule section 3947)

SERIES 1000 | INTERPRETATION AND PRINCIPLES RULES**RULE 1100 | INTERPRETATION**

[...]

1103. Delegation and automation

- (1) If a *Corporation requirement* requires an *individual* at a *Dealer Member* to perform a function:
 - (i) that *individual* may delegate the tasks or activities involved in performing the function to another *individual*, or
 - (ii) the *Dealer Member* may automate tasks or activities that assist in the *individual's* performance of the function,
unless the *Corporation requirements* specifically prohibit such delegation or use of automation.
- (2) An *individual* who delegates tasks or activities under clause 1103(1)(i) cannot delegate the responsibility for the proper performance of the function to which the tasks and activities relate.
- (3) An *individual* for whom the *Dealer Member* automates tasks or activities under clause 1103(1)(ii) must:
 - (i) understand how the automated tasks and activities work, and
 - (ii) ensure proper performance of the related function.
- (4) A *Dealer Member* that automates tasks or activities under clause 1103(1)(ii) must establish a system of supervision and compliance controls sufficient to provide reasonable assurance the automated tasks and activities and the function or functions to which these automated tasks and activities relate are properly performed.

[...]

RULE 1200 | DEFINITIONS

1201. Definitions

[...]

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

[...]

<p>“Approved Person” (<i>Personne autorisée</i>)</p>	<p>An <i>individual</i> who is:</p> <p>(i) for <i>Investment Dealer Members</i>, approved by the <i>Corporation</i> to carry out a function for an <i>Investment Dealer Member</i>, namely, the following <i>individuals</i>:</p> <p><i>Associate Portfolio Manager,</i> <i>Chief Compliance Officer,</i> <i>Chief Financial Officer,</i> <i>Director,</i> <i>Executive,</i> <i>Investment Representative,</i> <i>Portfolio Manager,</i> <i>Registered Representative,</i> <i>Supervisor,</i> <i>Trader,</i> and <i>Ultimate Designated Person</i></p> <p>or</p> <p>(ii) for <i>Mutual Fund Dealer Members</i>, approved by the <i>Corporation</i> to carry out a function for a <i>Mutual Fund Dealer Member</i>, namely, the following <i>individuals</i>:</p> <p><i>Chief Compliance Officer</i> <i>Chief Financial Officer,</i> <i>Director,</i> <i>Executive,</i> <i>Registered Representative,</i> <i>Supervisor,</i> and <i>Ultimate Designated Person</i></p>
<p>...</p>	<p>...</p>
<p>“Chief Compliance Officer” (<i>Chef de la conformité</i>)</p>	<p>An <i>individual</i> who is approved by the <i>Corporation</i> to act as the chief compliance officer of a <i>Dealer Member</i></p>
<p>“Chief Financial Officer” (<i>Chef des finances</i>)</p>	<p>An <i>individual</i> who is approved by the <i>Corporation</i> to act as the chief financial officer of a <i>Dealer Member</i>.</p>
<p>...</p>	<p>...</p>
<p>“Director” (<i>Administrateur</i>)</p>	<p>An <i>individual</i> who is a member of a <i>Dealer Member’s</i> board of directors or who fulfills similar functions at a <i>Dealer Member</i> that is not a corporation and is approved by the <i>Corporation</i> to act as a <i>Director</i>.</p>
<p>...</p>	<p>...</p>

“Executive” (<i>Membre de la haute direction</i>)	An individual who is involved in the <i>Dealer Member’s</i> senior management whose role relates to, or has impact on, matters regulated by the <i>Corporation</i> , and is approved by the <i>Corporation</i> to act as an <i>Executive</i> , including anyone approved by the <i>Corporation</i> to act as a <i>Chief Compliance Officer</i> , <i>Chief Financial Officer</i> , <i>Ultimate Designated Person</i> , or any other position that the <i>Dealer Member</i> designates as an <i>Executive</i> position.
...	...
“investment product” (<i>produit de placement</i>)	A product that: (i) is a <i>security</i> , (ii) is a <i>derivative</i> , (iii) is precious metals bullion, or (iv) has been approved by the <i>Board</i> as an investment product.
...	...
“Registered Representative” (<i>Représentant inscrit</i>)	An <i>individual</i> who is: (i) approved by the <i>Corporation</i> , to trade, or advise on trades, in <i>securities</i> or <i>derivatives</i> with the public in Canada, on the <i>Investment Dealer Member’s</i> behalf, including where that <i>individual</i> deals only in mutual funds or only with <i>institutional clients</i> ; or (ii) approved by the <i>Corporation</i> , to trade, or advise on trades, in mutual funds with the public in Canada, on the <i>Mutual Dealer Member’s</i> behalf.
...	...
“Supervisor” (<i>Surveillant</i>)	An <i>individual</i> given responsibility and authority by a <i>Dealer Member</i> , and approved by the <i>Corporation</i> , to manage the activities of the <i>Dealer Member</i> or the <i>Dealer Member’s</i> <i>Approved Persons</i> or <i>employees</i> to provide reasonable assurance they comply with the <i>Corporation requirements</i> and <i>securities laws</i> .
...	...
“Ultimate Designated Person” (<i>Personne désignée responsable</i>)	An <i>individual</i> who is approved by the <i>Corporation</i> to be responsible for the conduct of a designated <i>Dealer Member</i> and the supervision of its <i>employees</i> and to perform the functions for an ultimate designated person described in the <i>Corporation requirements</i> .
...	...

[...]

RULE 1500 | MANAGING SIGNIFICANT AREAS OF RISK

1501. Introduction

- (1) As a key element of the *Corporation's* regulatory framework, the *Corporation* expects that, for every *significant area of risk* within a *Dealer Member*, an appropriate *Executive* be responsible for managing such area of risk.

1502. Responsibility for significant areas of risk

- (1) For each *significant area of risk* within a *Dealer Member*, the *Dealer Member* must assign responsibility to an appropriate *Executive*. For certain *significant areas of risk*, the *Corporation* has assigned the responsibility to a specific *Executive* as set out in the *Corporation requirements*.
- (2) The *Dealer Member* must document and maintain a list of *Executives* and the *significant areas of risk* each *Executive* is responsible for managing.
- (3) *Executives* are responsible for the review and approval of any policies and procedures relating to their *significant area of risk*.

1503. – 1999. Reserved.

SERIES 2000 | DEALER MEMBER ORGANIZATION AND INDIVIDUAL APPROVAL RULES**RULE 2500 | DEALER MEMBER DIRECTORS AND EXECUTIVES, AND APPROVAL OF INDIVIDUALS**

2501. Introduction

- (1) Rule 2500 sets out requirements for a *Dealer Member's Approved Persons*.
- (2) Rule 2500 is divided into the following parts:
 - Part A – Dealer Member Directors and Executives
[sections 2502 through 2507]
 - Part B – Approval of individuals
[sections 2550 through 2555]

PART A - DEALER MEMBER DIRECTORS AND EXECUTIVES**2502. General requirements for Directors**

- (1) No *individual* may become a member of the board of directors of a *Dealer Member* unless that *individual* has been approved as a *Director* by the *Corporation*.
- (2) At least 40% of the *Dealer Member's Directors* must:
 - (i) either:
 - (a) spend the majority of their time in the *securities* or *derivatives* industry, except those who for reasons acceptable to the *Corporation* are prevented from doing so, or
 - (b) occupy a position equivalent to an *Executive* at the *Dealer Member*, or executive or a director at a related or *affiliated* firm registered with a *securities regulatory authority*, an *affiliated* foreign *securities* dealer or advisor, or an *affiliated* Canadian financial institution,
 - (ii) satisfy the applicable proficiency requirements of:
 - (a) in the case of *Directors* of *Investment Dealer Members*, clause 2602(3)(xxix), or
 - (b) in the case of *Directors* of *Mutual Fund Dealer Members*, clause 2602(3)(xxxvii),and
 - (iii) have at least five years of experience in the financial services industry, or such lesser period as may be acceptable to the *Corporation*.
- (3) The Chair and Vice Chair of the board of *Directors* of a *Dealer Member* must meet the requirements of:
 - (i) in the case of *Directors* of *Investment Dealer Members*, clause 2602(3)(xxix), or
 - (ii) in the case of *Directors* of *Mutual Fund Dealer Members*, clause 2602(3)(xxxvii).

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 who for reasons acceptable to the *Corporation* are prevented from doing so, or
- (b) occupy a position equivalent to an *Executive* or *Director* at a related or *affiliated* firm registered with a *securities regulatory authority*, *affiliated* foreign securities dealer or advisor, or an *affiliated* Canadian financial institution, and
- (ii) satisfy the applicable proficiency requirements of:
 - (a) in the case of *Executives of Investment Dealer Members*, clause 2602(3)(xxviii), or
 - (b) in the case of *Executives of Mutual Fund Dealer Members*, clause 2602(3)(xxxvi).
- (2) At least 60% of the *Dealer Member's Executives* must have at least five years of experience in the financial services industry, or such lesser period as may be acceptable to the *Corporation*.

2504. Exemption

- (1) The *Corporation* may grant an exemption from any requirement or part of a requirement in sections 2502 or 2503 if it is satisfied that it would not harm the interests of the *Dealer Member*, its clients, the public or the *Corporation*. The exemption may be on any terms and conditions that the *Corporation* considers appropriate.

2505. Chief Financial Officer

- (1) A *Dealer Member* must designate a *Chief Financial Officer* who must:
 - (i) be designated as an *Executive* and meet the general requirements for *Executives* set out in section 2503, and
 - (ii) satisfy the applicable proficiency requirements of:
 - (a) in the case of *Chief Financial Officers of Investment Dealer Members*, clause 2602(3)(xxx), or
 - (b) in the case of *Chief Financial Officers of Mutual Fund Dealer Members*, clause 2602(3)(xxxviii).
- (2) The *Chief Financial Officer* need not be *actively engaged in the business of the Dealer Member* on a full-time basis if appropriate for the *Dealer Member's* business.
- (3) When a *Chief Financial Officer* ceases to be approved in the applicable category, the *Dealer Member* must either immediately:
 - (i) designate a qualified *individual* as *Chief Financial Officer*, or
 - (ii) with the *Corporation's* prior approval, designate an *Executive* as acting *Chief Financial Officer*.
- (4) When an acting *Chief Financial Officer* is designated:
 - (i) that *individual* must satisfy the applicable proficiency requirements of:

- (a) in the case of acting *Chief Financial Officers of Investment Dealer Members*, clause 2602(3)(xxx), or
 - (b) in the case of acting *Chief Financial Officers of Mutual Fund Dealer Members*, clause 2602(3)(xxxviii),
- and be designated as *Chief Financial Officer*, or
- (ii) the *Dealer Member* must designate another qualified *individual* as *Chief Financial Officer*,
- within 90 days of the previous *Chief Financial Officer's* cessation date.
- (5) Any *Dealer Member* that fails to have a qualified *Chief Financial Officer* within 90 days of the cessation date of the previous *Chief Financial Officer*, or such other dates as the *Corporation* may specify, will be liable for and pay to the *Corporation* such fees as the *Board* may prescribe from time to time.

2506. Chief Compliance Officer

- (1) A *Dealer Member* must designate a *Chief Compliance Officer* who must:
 - (i) be designated as an *Executive* and meet the general requirements for *Executives* set out in section 2503, and
 - (ii) satisfy the applicable proficiency requirements of:
 - (a) in the case of *Chief Compliance Officers of Investment Dealer Members*, clause 2602(3)(xxxi), or
 - (b) in the case of *Chief Compliance Officers of Mutual Fund Dealer Members*, 2602(3)(xxxix).
- (2) The *Chief Compliance Officer* of a *Dealer Member* may be the *Ultimate Designated Person*, if the *Dealer Member* has obtained the prior approval of the *Corporation* and the applicable *securities regulatory authorities*.
- (3) A *Dealer Member* may designate additional *Chief Compliance Officers* to be responsible for separate business units of the *Dealer Member*, if the *Dealer Member* has obtained the prior approval of the *Corporation* and the applicable *securities regulatory authorities*.
- (4) When a *Chief Compliance Officer* ceases to be approved in the applicable category, the *Dealer Member* must either immediately:
 - (i) designate a qualified *individual* as *Chief Compliance Officer*, or
 - (ii) in the case of an *Investment Dealer Member*, with the *Corporation's* prior approval, designate an *Executive* as acting *Chief Compliance Officer*.
- (5) When an acting *Chief Compliance Officer* is designated at a *Dealer Member*:
 - (i) that *individual* must satisfy the applicable proficiency requirements of:
 - (a) in the case of acting *Chief Compliance Officers of Investment Dealer Members*, clause 2602(3)(xxxi)
 - (b) in the case of acting *Chief Compliance Officer of Mutual Fund Dealer Members*, clause 2602(3)(xxxix)

and be designated as *Chief Compliance Officer*, or

- (ii) the *Dealer Member* must designate another qualified *individual* as *Chief Compliance Officer*,

within 90 days of the previous *Chief Compliance Officer's* cessation date.

- (6) Any *Dealer Member* that fails to have a qualified *Chief Compliance Officer* within 90 days of the cessation date of the previous *Chief Compliance Officer*, or such other dates as the *Corporation* may specify, will be liable for and pay to the *Corporation* such fees as the *Board* may prescribe from time to time.

2507. Ultimate Designated Person

- (1) A *Dealer Member* must designate an *Ultimate Designated Person* who must be designated as an *Executive* and meet the general requirements for *Executives* set out in section 2503.
- (2) The *Ultimate Designated Person* must be:
 - (i) the chief executive officer of the *Dealer Member* or, an *Executive* acting in a capacity similar to a chief executive officer, provided it is acceptable to the *Corporation*, and applicable relief is granted under the applicable National Instrument,
 - (ii) the sole proprietor of the *Dealer Member*, or
 - (iii) the *Executive* in charge of a division of the *Dealer Member*, if the activity that requires the *Dealer Member* to register occurs only within the division and the *Dealer Member* has significant other business activities.
- (3) A *Dealer Member* may designate additional *Ultimate Designated Persons* to be responsible for separate business units, if the *Dealer Member* has obtained the prior approval of the *Corporation* and the applicable *securities regulatory authorities*.
- (4) If an *individual* who is approved as a *Dealer Member's Ultimate Designated Person* ceases to meet any of the conditions listed in subsections 2507(1) and 2507(2), the *Dealer Member* must immediately designate another qualified *Executive* to act as its *Ultimate Designated Person* or if unable to do so, promptly notify the *Corporation* of its plan to designate another qualified *Executive* as its *Ultimate Designated Person*.

2508. – 2549. Reserved.

PART B - APPROVAL OF INDIVIDUALS

2550. Introduction

- (1) Part B of Rule 2500 sets out the approval criteria for *Approved Persons*.
- (2) Part B of Rule 2500 requirements are complementary to section 9204, which discuss *individual* approval applications.

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 exempt from such registration) 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 exempt from such registration) 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 an *individual* seeking approval as:
 - (a) a *Registered Representative* dealing in mutual funds only at an *Investment Dealer Member* that is 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 with the applicable *securities regulatory authorities*, or
 - (b) a *Chief Compliance Officer*, an *Ultimate Designated Person*, and/or a *Registered Representative*, all at a *Mutual Fund Dealer Member*, such approval will be automatic upon the *individual's* registration as a chief compliance officer, ultimate designated person and/or Mutual Fund Dealer – Dealing Representative, respectively, with the applicable securities regulatory authorities.
- (2) Only a *Dealer Member's* director, partner, *officer* or *employee* can be an *Approved Person*.
 - (3) A *Dealer Member* must ensure that each *Approved Person* at the *Dealer Member* complies with *Corporation requirements* applicable to that *individual's* *Approved Person* category.
 - (4) All *Approved Persons* are subject to *Corporation* jurisdiction and must comply with *Corporation requirements*.
 - (5) A *Dealer Member* must ensure that, when dealing with the public, its *Approved Persons* use titles and designations that accurately indicate:
 - (i) the type of business that they have been approved by the *Corporation* to conduct, and
 - (ii) the role that they carry out or has been approved by the *Corporation* to carry out.
 - (6) If an *Approved Person* ceases to be approved, the former *Approved Person* must immediately cease any activity requiring *Corporation* approval.
 - (7) Except as set out in subsection 2302(3), an *Approved Person* of a *Dealer Member* must not accept, nor allow an *associate* to accept, directly or indirectly, any *remuneration*, gratuity, benefit or other consideration from any *person* other than the *Dealer Member*, its *related companies*, or *affiliates* for any *Dealer Member related activities* carried out by the *Approved Person*.

2552. Compliance with the proficiency requirements or other conditions

- (1) Each *Approved Person* who is registered under *securities laws* must have satisfied any applicable proficiency and other registration requirements set out in the applicable *securities laws* and established by the *securities regulatory authorities* having jurisdiction.
- (2) Each *Dealer Member's Approved Person* must:
 - (i) meet the applicable proficiency requirements set out in Rule 2600 before *Corporation* approval is granted, and
 - (ii) complete the applicable post-approval proficiency requirements set out in Rule 2600 after receiving *Corporation* approval.
- (3) The *Corporation* will automatically suspend an *Approved Person* if they do not complete the post-approval proficiency requirements in the applicable *Approved Persons* category set out in Rule 2600.
- (4) The *Corporation* will reinstate an *Approved Person* who has been suspended pursuant to subsection 2552(3) once they have completed the required post-approval proficiency requirements and the *Corporation* has been notified.
- (5) A *Dealer Member* must file a report specified by the *Corporation* on the conditions imposed on an *Approved Person* under Rule 8200 or Rule 9200 within 10 *business days* of the end of each month.
- (6) If a *Dealer Member* does not file the report specified in subsection 2552(5) or files the report late, it must pay the *Corporation* the applicable late filing fee.

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

- (1) A *Portfolio Manager* and *Associate Portfolio Manager* is also permitted to conduct activities carried on by a *Registered Representative* in accordance with *Corporation* requirements applicable to *Registered Representatives*.
- (2) An *Associate Portfolio Manager* must not advise on *securities* unless, before giving the advice, the advice has been pre-approved by a *Portfolio Manager*.
- (3) A *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* may not conduct on behalf of an *Investment Dealer Member*, and an *Investment Dealer Member* may not permit an *Approved Person* to, on its behalf, deal with the types of clients set out in clauses 2553(3)(i) through 2553(3)(iii) and conduct the type of business set out in clause 2553(3)(iv), unless the *Investment Dealer Member* complies with the following:
 - (i) The *Investment Dealer Member* must notify the *Corporation*, and seek the *Corporation's* prior approval on whether the *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* will deal with either *retail clients* or *institutional clients*.
 - (ii) A *Registered Representative* dealing with:
 - (a) *retail clients*, may take orders from, or give advice to, all types of clients, or

- (b) *institutional clients*, may take orders from, or give advice to, *institutional clients* only.
- (iii) An *Investment Representative* dealing with:
 - (a) *retail clients*, may take orders from all types of clients, or
 - (b) *institutional clients*, may take orders from *institutional clients* only.
- (iv) The *Investment 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 derivatives,
 - (c) futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives, 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.
- (4) The post-approval proficiency requirements in clauses 2602(3)(vi) or 2602(3)(xiii) do not apply to an *Investment Dealer Member's Registered Representative* or *Investment Representative* approved prior to September 28, 2009 and registered in provinces or territories which allowed the *individual* to be restricted to only mutual funds, provided they remain in the same restricted category of approval in the same provinces/territories.

2554. The Approved Person's activities outside of the Dealer Member

- (1) An *Approved Person* may have, and continue in, an activity outside of the *Dealer Member*, if the outside activity:
 - (i) is not contrary to *securities laws* or *Corporation requirements*, and
 - (ii) does not bring the securities industry into disrepute.
- (2) An *Approved Person* may have, and continue in, an outside activity, if:
 - (i) the *Approved Person* informs the *Dealer Member* of the outside activity,
 - (ii) the *Approved Person* obtains the *Dealer Member's* prior approval to engage in the outside activity,
 - (iii) the *Dealer Member's* policies and procedures specifically address:
 - (a) continuous service to clients, and
 - (b) potential conflicts of interest,

and,

 - (iv) the *Dealer Member* notifies the *Corporation* of the outside activity within the time period and manner required by National Instrument 33-109.

- (3) An *individual* must not act, and a *Dealer Member* must not permit an *individual* to act, as a *Registered Representative, Investment Representative, Portfolio Manager, Associate Portfolio Manager* or *Trader* in a manner that is contrary to section 4.1 of National Instrument 31-103, unless an exemption is granted by the applicable *securities regulatory authority* and such similar exemption request is also filed with and approved by the *Corporation*.

2555. Approval of investors

- (1) Any investor who owns or holds a *beneficial ownership* interest in a *significant equity interest* in the *Dealer Member* or special warrants or other securities that are convertible into a *significant equity interest* in the *Dealer Member* must:
 - (i) be approved by the *Corporation*, and
 - (ii) if applicable, meet the proficiency requirements of subsections 2555(2) and 2555(3).
- (2) A *Dealer Member's Director* who, directly or indirectly, owns or controls a voting interest of a *Dealer Member* of 10% or more must satisfy the proficiency requirements of clause 2602(3)(xxxiii).
- (3) Any *individual*, other than a *Dealer Member's Director*, who is *actively engaged in the business of the Dealer Member*, and directly or indirectly owns or controls a voting interest in a *Dealer Member* of 10% or more, must satisfy the proficiency requirements of:
 - (i) in the case of *approved investors of Investment Dealer Members*, clause 2602(3)(xxxiii), or
 - (ii) in the case of *approved investors of Mutual Fund Dealer Members*, clause 2602(3)(xli).

2556. – 2599. Reserved.

RULE 2600 | PROFICIENCY REQUIREMENTS AND EXEMPTIONS FROM PROFICIENCIES

2601. Introduction

- (1) Rule 2600 sets out the minimum proficiency requirements for *individuals* requiring *Corporation* approval. The requirements are designed to ensure that *Approved Persons* are qualified to perform their job functions competently in order to meet their regulatory obligations and that a *Dealer Member's* business is conducted with integrity.
- (2) Rule 2600 is divided into the following parts:
 - Part A – Proficiency requirements
[sections 2602 and 2603]
 - Part B – Exemptions from proficiency requirements
[sections 2625 through 2628]
 - Part C – Transition provisions
[sections 2630]

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 provided in accordance with section 1407, 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 applicable proficiency requirements prescribed below before the *Corporation* will grant approval, unless an exemption has been granted from the applicable requirements before the *Corporation* will grant approval. Unless otherwise stated, the Canadian Securities Institute administers the courses and examinations noted below.

Investment Dealer Member Approved Person Categories
Investment Dealer Member Registered Representatives
<ul style="list-style-type: none"> • <i>Registered Representative</i> dealing with <i>retail clients</i> (other than a <i>Registered Representative</i> dealing in <i>derivatives</i> or only in mutual funds)
<ul style="list-style-type: none"> • <i>Registered Representative</i> dealing with <i>institutional clients</i> (other than a <i>Registered Representative</i> dealing in <i>derivatives</i> or only in mutual funds)
<ul style="list-style-type: none"> • <i>Registered Representative</i> dealing in options or similar <i>derivatives</i> with <i>retail clients</i>

<ul style="list-style-type: none"> Registered Representative dealing in options or similar derivatives with institutional clients
<ul style="list-style-type: none"> Registered Representative dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives with retail or institutional clients
<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> 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
<p>Investment Dealer Member Investment Representatives</p>
<ul style="list-style-type: none"> Investment Representative dealing with retail clients (other than an Investment Representative dealing in derivatives or only in mutual funds)
<ul style="list-style-type: none"> Investment Representative dealing with institutional clients (other than an Investment Representative dealing in derivatives or only in mutual funds)
<ul style="list-style-type: none"> Investment Representative dealing in options or similar derivatives with retail clients
<ul style="list-style-type: none"> Investment Representative dealing in options or similar derivatives with institutional clients
<ul style="list-style-type: none"> Investment Representative dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives with retail or institutional clients
<ul style="list-style-type: none"> 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
<p>Investment Dealer Member Associate Portfolio Managers and Portfolio Managers</p>
<ul style="list-style-type: none"> Associate Portfolio Manager providing discretionary portfolio management for managed accounts
<ul style="list-style-type: none"> Portfolio Manager providing discretionary portfolio management for managed accounts
<p>Investment Dealer Members Traders</p>
<ul style="list-style-type: none"> Trader
<ul style="list-style-type: none"> Trader on the Montréal Exchange
<p>Investment Dealer Member Supervisors</p>
<ul style="list-style-type: none"> Supervisor of Registered Representatives or Investment Representatives (except those dealing with clients in derivatives)
<ul style="list-style-type: none"> Supervisor of Registered Representatives or Investment Representatives dealing with clients in options or similar derivatives
<ul style="list-style-type: none"> Supervisor of Registered Representatives or Investment Representatives dealing with clients in futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives
<ul style="list-style-type: none"> Supervisor responsible for the opening of new accounts and supervision of account activity
<ul style="list-style-type: none"> Supervisor responsible for the supervision of discretionary accounts
<ul style="list-style-type: none"> Supervisor responsible for the supervision of managed accounts
<ul style="list-style-type: none"> Supervisor responsible for the supervision of option and similar derivative accounts
<ul style="list-style-type: none"> Supervisor responsible for the supervision of futures contract, forward contract, contract for difference, futures contract option and similar derivative accounts
<ul style="list-style-type: none"> Supervisor responsible for the pre-approval of advertisements, sales communications and client communications

<ul style="list-style-type: none"> • <i>Supervisor responsible for the supervision of research reports</i>
Investment Dealer Member Executives and Directors
<ul style="list-style-type: none"> • <i>Executive</i>
<ul style="list-style-type: none"> • <i>Director (where required in section 2502)</i>
<ul style="list-style-type: none"> • <i>Chief Financial Officer</i>
<ul style="list-style-type: none"> • <i>Chief Compliance Officer</i>
<ul style="list-style-type: none"> • <i>Ultimate Designated Person</i>
Investment Dealer Member Approved investors
<ul style="list-style-type: none"> • <i>Approved investor</i>
Mutual Fund Dealer Member Approved Person Categories
Mutual Fund Dealer Registered Representatives
<ul style="list-style-type: none"> • <i>Registered Representatives dealing in mutual funds only</i>
Mutual Fund Dealer Member Supervisors
<ul style="list-style-type: none"> • <i>Supervisor</i>
Mutual Fund Dealer Member Executives and Directors
<ul style="list-style-type: none"> • <i>Executive</i>
<ul style="list-style-type: none"> • <i>Director (where required in section 2502)</i>
<ul style="list-style-type: none"> • <i>Chief Financial Officer</i>
<ul style="list-style-type: none"> • <i>Chief Compliance Officer</i>
<ul style="list-style-type: none"> • <i>Ultimate Designated Person</i>
Mutual Fund Dealer Member Approved investors
<ul style="list-style-type: none"> • <i>Approved investor</i>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
Investment Dealer Member Approved Person Categories			
Investment Dealer Member Registered Representatives			
(i) <i>Registered Representative dealing with retail clients (other than a Registered Representative dealing in derivatives or only in mutual funds)</i>	(a) (I) Either: (A) Canadian Securities Course, or, (B) Level I or higher of the CFA Program administered by the CFA Institute, (II) Conduct and Practices Handbook Course,	(c) Completion of Wealth Management Essentials Course within 30 months after initial approval date as a <i>Registered Representative</i> in accordance with subsection 2552(2).	(d) Six months of supervision from initial approval date in accordance with section 3947.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>and (III) 90-day training program after completion of the requirements in paragraph 2602(3)(i)(a)(I), or, (b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years before requesting approval, New Entrants Course.</p>		
(ii) <i>Registered Representative dealing with institutional clients (other than a Registered Representative dealing in derivatives or only in mutual funds)</i>	<p>(a) (I) Either: (A) Canadian Securities Course, or, (B) Level I or higher of the CFA Program administered by the CFA Institute, and, (II) Conduct and Practices Handbook Course, or, (b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years before requesting approval, New Entrants Course.</p>		
(iii) <i>Registered Representative dealing in options or similar derivatives with retail clients</i>	<p>(a) (I) Requirements in sub-clause 2602(3)(i)(a), and, (II) Either: (A) Derivatives Fundamentals Course and the Options Licensing Course, or, (B) Derivatives Fundamentals and</p>	(c) Requirements in sub-clause 2602(3)(i)(c).	(d) Six months of supervision from initial approval date in accordance with section 3947.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>Options Licensing Course,</p> <p>or,</p> <p>(b) If previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivatives</i> within three years before requesting approval:</p> <p>(I) New Entrants Course,</p> <p>(II) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority,</p> <p>and,</p> <p>(III) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		
<p>(iv) <i>Registered Representative dealing in options or similar derivatives with institutional clients</i></p>	<p>(a) (I) Requirements in sub-clause 2602(3)(ii)(a), and,</p> <p>(II) Either:</p> <p>(A) Derivatives Fundamentals Course and the Options Licensing Course,</p> <p>or,</p> <p>(B) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p> <p>(b) If previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivatives</i> within three years before requesting approval:</p> <p>(I) New Entrants Course,</p> <p>(II) Securities Industry Essentials Exam</p>		

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>administered by the Financial Industry Regulatory Authority, and, (III) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		
<p>(v) <i>Registered Representative</i> dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> with <i>retail clients</i> or <i>institutional clients</i></p>	<p>(a) Futures Licensing Course, (b) Conduct and Practices Handbook Course, and, (c) Any of the following: (I) Derivatives Fundamentals Course, (II) Derivatives Fundamentals and Options Licensing Course, or, (III) If previously registered with the National Futures Association in a similar capacity and dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> within three years before requesting approval, Series 3 Exam administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association).</p>		<p>(d) Six months of supervision from initial approval date for those dealing with <i>retail clients</i> in accordance with section 3947.</p>
<p>(vi) <i>Registered Representative</i> dealing only in mutual funds who is an <i>employee</i> of a firm registered as an investment</p>	<p>(a) (I) Any of the following: (A) Requirements in sub-paragraph 2602(3)(i)(a)(I)(A), (B) Canadian Investment Funds Course administered by the</p>	<p>(b) (I) Completion of the requirements in sub-paragraph 2602(3)(i)(a)(I)(A) and paragraph 2602(3)(i)(a)(II) within 270 days after initial approval date, and,</p>	<p>(c) The <i>individual</i> must upgrade to <i>Registered Representative</i> within 18 months of initial approval, and</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
dealer and not registered as a mutual fund dealer	Investment Funds Institute of Canada, or, (C) Investment Funds in Canada Course.	(II) Completion of the 90-day training program within 18 months after initial approval date in accordance with 2553(6).	(d) Six months of supervision from initial approval date in accordance with section 3947.
(vii) <i>Registered Representative</i> dealing only in mutual funds who is an <i>employee</i> of a firm registered as both an investment dealer and a mutual fund dealer	(a) (I) Any of the following: (A) Requirements in sub-paragraph 2602(3)(i)(a)(I)(A), (B) Canadian Investment Funds Course administered by the Investment Funds Institute of Canada, or, (C) Investment Funds in Canada Course.	(b) Completion of the 90-day training program within 90 days after initial approval in accordance with 2553(6).	(c) Six months of supervision from initial approval date in accordance with section 3947.
Investment Dealer Member Investment Representatives			
(viii) <i>Investment Representative</i> dealing with <i>retail clients</i> (other than an <i>Investment Representative</i> dealing in <i>derivatives</i> or only in mutual funds)	(a) (I) Either: (A) Canadian Securities Course, or, (B) Level I or higher of the CFA Program administered by the CFA Institute, (II) Conduct and Practices Handbook Course, and, (III) 30-day training program after completing the requirements in paragraph 2602(3)(viii)(a)(I), or, (b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years		(c) Six months of supervision from initial approval date in accordance with section 3947.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	before requesting approval, New Entrants Course.		
(ix) <i>Investment Representative dealing with institutional clients (other than an Investment Representative dealing in derivatives or dealing only in mutual funds)</i>	(a) (I) Either: (A) Canadian Securities Course, or, (B) Level I or higher of the CFA Program administered by the CFA Institute, and, (II) Conduct and Practices Handbook Course, or, (b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years before requesting approval, New Entrants Course.		
(x) <i>Investment Representative dealing in options or similar derivatives with retail clients</i>	(a) (I) Requirements in sub-clause 2602(3)(viii)(a), and, (II) Either: (A) Derivatives Fundamentals Course and the Options Licensing Course, or, (B) Derivatives Fundamentals and Options Licensing Course, or, (b) If previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivatives</i> within three years before requesting approval: (I) New Entrants Course,		(c) Six months of supervision from initial approval date in accordance with section 3947.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>(II) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority, and,</p> <p>(III) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		
<p>(xi) <i>Investment Representative</i> dealing in options or similar <i>derivatives</i> with <i>institutional clients</i></p>	<p>(a) (I) Requirements in sub-clause 2602(3)(ix)(a), and,</p> <p>(II) Either:</p> <p>(A) Derivatives Fundamentals Course and the Options Licensing Course,</p> <p>or,</p> <p>(B) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p> <p>(b) If previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivatives</i> within three years before requesting approval:</p> <p>(I) New Entrants Course,</p> <p>(II) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority, and</p> <p>(III) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		
<p>(xii) <i>Investment Representative</i> dealing in</p>	<p>(a) Futures Licensing Course,</p> <p>(b) Conduct and Practices Handbook Course,</p>		<p>(d) Six months of supervision from initial</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<p>futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> with <i>retail clients</i> or <i>institutional clients</i></p>	<p>and, (c) Any of the following: (I) Derivatives Fundamentals Course, (II) Derivatives Fundamentals and Options Licensing Course, or, (III) if previously registered with the National Futures Association in a similar capacity and dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> within three years before requesting approval, Series 3 Exam administered by the Financial Industry Regulatory Authority (on behalf of the National Future Association).</p>		<p>approval date for those dealing with retail clients in accordance with section 3947.</p>
<p>(xiii) <i>Investment Representative</i> dealing only in mutual funds who is an <i>employee</i> of a firm registered as an investment dealer and not registered as a mutual fund dealer</p>	<p>(a) Any of the following: (I) Requirements in subparagraph 2602(3)(viii)(a)(I)(A), (II) Canadian Investment Funds Course administered by the Investment Funds Institute of Canada, or, (III) Investment Funds in Canada Course.</p>	<p>(b) (I) Completion of the requirements in subparagraph 2602(3)(viii)(a)(I)(A) and paragraph 2602(3)(viii)(a)(II) within 270 days after initial approval date, and, (II) Completion of the 30-day training program within 18 months after initial approval date in accordance with 2553(6).</p>	<p>(c) The <i>individual</i> must upgrade to <i>Investment Representative</i> within 18 months of initial approval, and (d) Six months of supervision from initial approval date in accordance with section 3947.</p>
<p>Investment Dealer Member Associate Portfolio Managers and Portfolio Managers</p>			
<p>(xiv) <i>Associate Portfolio Manager</i></p>	<p>(a) (I) Conduct and Practices Handbook Course, and</p>		<p>(d) Two years of relevant investment</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<p>providing discretionary portfolio management for <i>managed accounts</i></p>	<p>(II) Any of the following: (A) Canadian Investment Manager Designation, (B) Chartered Investment Manager Designation, or, (C) CFA Level I or higher of the CFA Program administered by the CFA Institute, or, (b) If managing options or similar <i>derivative</i> accounts: (I) Requirements in sub-clause 2602(3)(xiv)(a), and, (II) Either: (A) Requirements in paragraph 2602(3)(iii)(a)(II), or, (B) Requirements in sub-clause 2602(3)(iii)(b), or, (c) If managing futures contract, forward contract, contracts for difference, futures contract option or similar <i>derivative</i> accounts: (I) Requirements in sub-clause 2602(3)(xiv)(a), (II) Requirements in sub-clause 2602(3)(v)(a), and, (III) Requirements in sub-clause 2602(3)(v)(c).</p>		<p>management experience acceptable to the <i>Corporation</i> within three years before requesting approval.</p>
<p>(xv) <i>Portfolio Manager</i> providing discretionary</p>	<p>(a) (I) Conduct and Practices Handbook Course, and, (II) Any of the following:</p>		<p>(d) If Canadian Investment Manager Designation or</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<p>portfolio management for <i>managed accounts</i></p>	<p>(A) Canadian Investment Manager Designation, (B) Chartered Investment Manager Designation, or, (C) CFA Charter administered by the CFA Institute, or, (b) If managing options or similar <i>derivative</i> accounts: (I) Requirements in sub-clause 2602(3)(xv)(a), and, (II) Either: (A) Requirements in paragraph 2602(3)(iii)(a)(II), or, (B) Requirements in sub-clause 2602(3)(iii)(b), or, (c) If managing futures contract, forward contract, contracts for difference, futures contract option or similar <i>derivative</i> accounts: (I) Requirements in sub-clause 2602(3)(xv)(a), (II) Requirements in sub-clause 2602(3)(v)(a), and, (III) Requirements in sub-clause 2602(3)(v)(c).</p>		<p>Chartered Investment Manager Designation is completed 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>, or, (e) If CFA Charter is completed, at least one year of relevant investment management experience within the three years before requesting approval acceptable to the <i>Corporation</i>.</p>
Investment Dealer member Traders			
(xvi) <i>Trader</i>	(a) Trader Training Course, unless otherwise determined by the <i>marketplace</i> on which the <i>Trader</i> will be trading.		

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
(xvii) <i>Trader on the Montréal Exchange</i>	(a) Proficiency requirements determined to be acceptable by the Montréal Exchange.		
Investment Dealer Member Supervisors			
(xviii) <i>Supervisor of Registered Representatives or Investment Representatives (except those dealing with clients in derivatives)</i>	(a) Investment Dealer Supervisors Course, and, (b) (I) Either: (A) Canadian Securities Course, or, (B) CFA Level I or higher of the CFA Program administered by the CFA Institute, and, (II) Conduct and Practices Handbook Course, or, (c) If previously registered or approved with a <i>recognized foreign regulatory organization</i> within three years before requesting approval and as an alternative to sub-clause 2602(3)(xviii)(b), New Entrants Course		(d) Two years of relevant experience working for an investment dealer, (e) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i> , or, (f) Such other equivalent experience acceptable to the Corporation.
(xix) <i>Supervisor of Registered Representatives or Investment Representatives dealing with clients in options or similar derivatives</i>	(a) Options Supervisors Course, and, (b) Either: (I) (A) Conduct and Practices Handbook Course, and, (B) Either: (i) Derivatives Fundamentals Course and the Options Licensing Course, or,		(d) Two years of relevant experience working for an investment dealer, (e) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>(ii) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p> <p>(II) If previously registered with the Financial Industry Regulatory Authority and dealing in options or similar <i>derivatives</i> within three years before requesting approval:</p> <p>(A) New Entrants Course, and</p> <p>(B) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority, and</p> <p>(C) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		<p>by a <i>recognized foreign regulatory organization</i>,</p> <p>or,</p> <p>(f) Such other equivalent experience acceptable to the <i>Corporation</i>.</p>
<p>(xx) <i>Supervisor of Registered Representatives or Investment Representatives</i> dealing with clients in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i></p>	<p>(a) Canadian Commodity Supervisors Exam, and,</p> <p>(b) (I) Futures Licensing Course,</p> <p>(II) Conduct and Practices Handbook Course, and,</p> <p>(III) Any of the following:</p> <p>(A) Derivatives Fundamentals Course,</p> <p>(B) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p> <p>(C) If previously registered with National Futures Association <u>dealing</u> in futures contracts,</p>		<p>(c) Two years of relevant experience working for an investment dealer,</p> <p>(d) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager or an entity governed by a <i>recognized foreign regulatory organization</i>,</p> <p>or,</p>

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Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>forward contracts, contract for difference, futures contract options or similar <i>derivatives</i> within three years before requesting approval, the Series 3 Exam administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association)</p>		<p>(e) Such other equivalent experience acceptable to the <i>Corporation</i>.</p>
<p>(xxi) <i>Supervisor</i> responsible for the opening of new accounts and account supervision and activity related policies and procedures</p>	<p>(a) Investment Dealer Supervisors Course.</p>		<p>(b) Two years of relevant experience working for an investment dealer, (c) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i>, or, (d) Such other equivalent experience acceptable to the <i>Corporation</i>.</p>
<p>(xxii) <i>Supervisor</i> responsible for the supervision of <i>discretionary accounts</i></p>	<p>(a) Investment Dealer Supervisors Course.</p>		<p>(b) Two years of relevant experience working for an</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
			investment dealer, (c) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager or an entity governed by a <i>recognized foreign regulatory organization</i> , or, (d) Such other equivalent experience acceptable to the Corporation.
(xxiii) <i>Supervisor responsible for the supervision of managed accounts</i>	(a) Investment Dealer Supervisors Course, and, (b) Any of the following: (I) Canadian Investment Manager Designation, (II) Chartered Investment Manager Designation, or (III) CFA Charter administered by the CFA Institute (c) If supervising <i>options and similar derivative accounts</i> : (I) Requirements in sub-clauses 2602(3)(xxiii)(a) and 2602(3)(xxiii)(b), and, (II) Requirements in clause 2602(3)(xxiv), (d) If supervising futures contract, forward contract, contracts for difference, futures contract option and similar <i>derivative accounts</i> :		(e) Two years of relevant experience working for an investment dealer, (f) Two years of relevant experience working for a portfolio manager or an entity governed by a <i>recognized foreign regulatory organization</i> , or, (g) Such other equivalent experience acceptable to the Corporation.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	(I) Requirements in sub-clauses 2602(3)(xxiii)(a) and 2602(3)(xxiii)(b), and, (II) Requirements in clause 2602(3)(xxv).		
(xxiv) <i>Supervisor</i> responsible for the supervision of <i>option</i> and similar <i>derivative</i> accounts	(a) Options Supervisors Course, and (b) Any of the following: (I) Derivatives Fundamentals Course and the Options Licensing Course, (II) Derivatives Fundamentals and Options Licensing Course, or, (III) If previously registered with the Financial Industry Regulatory Authority dealing in options within three years before requesting approval: (A) New Entrants Course, (B) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority, and, (C) Series 7 Exam administered by the Financial Industry Regulatory Authority.		(c) Two years of relevant experience working for an investment dealer, (d) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i> , or, (e) Such other equivalent experience acceptable to the <i>Corporation</i> .
(xxv) <i>Supervisor</i> responsible for the supervision of futures contract, forward contract, contract for	(a) Canadian Commodity Supervisors Exam, (b) Futures Licensing Course, and, (c) Any of the following: (I) Derivatives Fundamentals Course,		(d) Two years of relevant experience working for an investment dealer, (e) Two years of relevant

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<p>difference, futures contract option and similar <i>derivative accounts</i></p>	<p>(II) Derivatives Fundamentals and Options Licensing Course, or, (III) If previously registered with the National Futures Association and dealing in futures within three years before requesting approval, the Series 3 Exam administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association).</p>		<p>experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i>, or, (f) Such other equivalent experience acceptable to the <i>Corporation</i>.</p>
<p>(xxvi) <i>Supervisor</i> responsible for the pre-approval of <i>advertisements, sales communications and client communications</i></p>	<p>(a) Investment Dealer Supervisors Course.</p>		<p>(b) Two years of relevant experience working for an investment dealer, (c) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i>, or, (d) Such other equivalent experience acceptable to the <i>Corporation</i>.</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
(xxvii) <i>Supervisor responsible for the supervision of research reports</i>	(a) Conduct and Practices Handbook Course, and, (b) Any of the following: (I) CFA Level II or higher of the CFA Program administered by the CFA Institute, (II) Partners, Directors and Senior Officers Course, (III) Investment Dealer Supervisors Course, or (IV) If previously registered with the Financial Industry Regulatory Authority within three years before requesting approval: (A) Securities Industry Essentials Exam and Series 86/87 Exam administered by the Financial Industry Regulatory Authority, or, (B) Series 16 Exam administered by the Financial Industry Regulatory Authority.		(c) Two years of relevant experience working for an investment dealer or registered advisor, (d) Two years of relevant experience working for an entity governed by a <i>recognized foreign regulatory organization</i> , or, (e) Such other equivalent experience acceptable to the <i>Corporation</i> .
Investment Dealer Member Executives and Directors			
(xxviii) <i>Executive</i>	(a) Partners, Directors and Senior Officers Course.		(b) Experience in accordance with subsection 2503(2), if applicable.
(xxix) <i>Director (where required per section 2502)</i>	(a) Partners, Directors and Senior Officers Course.		(b) Experience in accordance with clause 2502(2)(iii), if applicable.
(xxx) <i>Chief Financial Officer</i>	(a) Partners, Directors and Senior Officers Course, and,		(c) A financial accounting designation,

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Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	(b) Chief Financial Officers Qualifying Examination.		finance related university degree or diploma or equivalent work experience as may be acceptable to the Corporation.
(xxxii) Chief Compliance Officer	(a) Partners, Directors and Senior Officers Course, and, (b) Chief Compliance Officers Qualifying Examination.		(c) Five years working for an investment dealer or registered advisor, with at least three years in a compliance or supervisory capacity, or, (d) Three years providing professional services in the securities industry, with at least 12 months experience working at an investment dealer or registered advisor in a compliance or supervisory capacity.
(xxxiii) Ultimate Designated Person	(a) Requirements in sub-clause 2602(3)(xxviii)(a).		(b) Experience in accordance with sub-clause 2602(3)(xxviii)(b).
Investment Dealer approved investors			

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
(xxxiii) <i>Approved investor</i> (under subsections 2555(2) and 2555(3))	(a) Partners, Directors and Senior Officers Course.		
Mutual Fund Dealer Member Approved Person Categories			
Mutual Fund Dealer Member Registered Representatives			
(xxxiv) <i>Registered Representative</i>	<p>(a) Registration as a Mutual Fund Dealer – Dealing Representative with the applicable <i>securities regulatory authorities</i>, including any applicable pre-approval requirements as required under National Instrument 31-103</p> <p>and</p> <p>(b) if dealing in Exchange Traded Funds:</p> <p>(I) Either:</p> <p>(A) Exchange Traded Funds for Mutual Fund Representatives,</p> <p>(B) The Exchange-Traded Funds Course (IFSE Institute),</p> <p>or</p> <p>(C) Exchange Traded Funds for Representatives of Mutual Fund Dealers (Smarten Up Institute),</p> <p>or</p> <p>(II) equivalent training provided by the <i>Mutual Fund Dealer Member</i> acceptable to the <i>Corporation</i>,</p> <p>and</p> <p>(c) if dealing in Alternative Mutual Funds:</p> <p>(I) Investing in Alternative Mutual Funds and Hedge Funds Course (IFSE Institute),</p>	(d) any applicable post-approval requirements as required under National Instrument 31-103	(e) any applicable experience and other proficiency requirements as required under National Instrument 31-103

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	(II) Alternative Strategies: Hedge Funds & Liquid Alts for Mutual Fund Representatives Course, (III) Derivatives Fundamentals Course, (IV) Canadian Securities Course, or (V) passed the courses required to be registered as a Portfolio Manager – Advising Representative pursuant to section 3.11 of National Instrument 31-103.		
Mutual Fund Dealer Member Supervisors			
(xxxv) <i>Supervisor</i>	(a) Meet the requirements for a Mutual Fund Dealer – Dealing Representative as prescribed under applicable <i>securities laws</i> , and (b) Passed any one of the following courses: (I) Branch manager Course, (II) the Mutual Fund Branch Managers’ Examination Course (IFSE Institute), or (III) the Branch Compliance Officers Course.		(c) have acted as a salesperson, trading partner, director, officer or compliance officer registered under the applicable <i>securities laws</i> for a minimum of two years; or (d) have a minimum of two years of equivalent experience to that of an individual described in paragraph (c).
Mutual Fund Dealer Member Directors and Executives			
(xxxvi) <i>Executive</i>	(a) Partners, Directors and Senior Officers Course. This requirements does not apply to <u>a Chief Compliance Officer or Ultimate</u>		(b) Experience in accordance with subsection 2503(2), if applicable.

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Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<u>Designated Person of a Mutual Fund Dealer Member.</u>		This requirement does <u>not apply to a Chief Compliance Officer or Ultimate Designated Person of a Mutual Fund Dealer Member.</u>
(xxxvii) <i>Director</i> (where required per section 2502)	(a) Partners, Directors and Senior Officers Course.		(b) Experience in accordance with clause 2502(2)(iii), if applicable.
(xxxviii) <i>Chief Financial Officer</i>	(a) Partners, Directors and Senior Officers Course, and, (b) Chief Financial Officers Qualifying Examination.		(c) A financial accounting designation, finance related university degree or diploma or equivalent work experience as may be acceptable to the Corporation.
(xxxix) <i>Chief Compliance Officer</i>	(a) Registration as a Mutual Fund Dealer – Chief Compliance Officer with the applicable securities regulatory authorities, including any applicable pre-approval requirements as required under National Instrument 31-103	(b) Any applicable post-approval requirements as required under National Instrument 31-103	(c) Any applicable experience and other proficiency requirements as required under National Instrument 31-103

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
(xl) <i>Ultimate Designated Person</i>	(a) Registration as a Mutual Fund Dealer – Ultimate Designated Person with the applicable securities regulatory authorities, including any applicable pre-approval requirements as required under National Instrument 31-103	(b) Any applicable post-approval requirements as required under National Instrument 31-103	(c) Any applicable experience and other proficiency requirements as required under National Instrument 31-103
Mutual Fund Dealer approved investors			
(xli) <i>Approved investor (under subsections 2555(2) and 2555(3))</i>	(a) Partners, Directors and Senior Officers Course.		

2603. Permitted activities of mutual funds only *Investment Dealer Member Registered Representatives and Investment Representatives*

- (1) An applicant for approval, or an *individual* approved, as a *Registered Representative* dealing in mutual funds only at an *Investment Dealer Member*, or an *Investment Representative* dealing in mutual funds only, will be also permitted to trade in exchange-traded funds that meet the definition of a mutual fund provided the *individual*:
 - (i) was permitted to trade in exchange-traded funds within the 90 days prior to these Rules coming into effect, or
 - (ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):
 - (a) the ETFs for Mutual Fund Representatives course administered by CSI Global Education Inc., or
 - (b) the Exchange Traded Funds course administered by the Investment Funds Institute of Canada, or
 - (c) the Exchange Traded Funds for Mutual Fund Representatives course administered by the Smarten Up Institute.
- (2) Reserved.
- (3) The following terms have the meaning set out below when used in subsection 2603(4):

<p>“alternative mutual fund” (<i>organisme de placement collectif non</i></p>	<p>The same meaning as the definition in National Instrument 81-102, <i>Investment Funds</i>.</p>
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<i>traditionnel ou OPC non traditionnel</i>)	
“bridge course” (<i>cours de transition</i>)	Either: (i) the Investing in Alternative Mutual Funds and Hedge Funds course administered by the IFSE Institute, or (ii) the Hedge Funds and Liquid Alternatives for Mutual Fund Representatives course administered by CSI Global Education Inc.

- (4) An applicant for approval, or an *individual* approved, as a *Registered Representative* dealing in mutual funds only at an *Investment Dealer Member*, or an *Investment Representative* dealing in mutual funds only, will be also permitted to trade in alternative mutual funds provided the *individual*:
- (i) was permitted to trade in alternative mutual funds within the 90 days prior to these Rules coming into effect, or
 - (ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):
 - (a) the bridge course, or
 - (b) the Derivatives Fundamentals Course, or
 - (c) the Canadian Securities Course, or
 - (d) the courses required to be registered as a Portfolio Manager – Advising Representative pursuant to section 3.11 of National Instrument 31-103, *Registration Requirement, Exemptions and Ongoing Registrant Obligations*.

2604. – 2624. Reserved.

PART B - EXEMPTIONS FROM PROFICIENCY REQUIREMENTS

2625. Specific exemptions

- (1) A *Chief Compliance Officer* seeking approval as a *Supervisor* of a producing *Supervisor* is exempt from the proficiencies required under 2602(3)(xviii) for the purposes of being approved in this capacity, if the producing *Supervisor* is an *Approved Person* who is:
 - (i) a *Supervisor* of a *Registered Representative* or *Investment Representative* and
 - (ii) actively engaged as a *Registered Representative* dealing with *retail clients*.
- (2) An applicant seeking approval as a *Supervisor* in relation to activities of *individuals* approved to deal in mutual funds only of an *Investment Dealer Member*, including those in subsections 2603(1) and 2603(2), is exempt from the pre-approval course requirements in clauses 2602(3)(xviii) and 2602(3)(xxi) provided the *individual*:
 - (i) was approved by the *Corporation* as a *Supervisor* of a *Mutual Fund Dealer Member*, within 90 days prior to these Rules coming into effect, or
 - (ii) has successfully completed the following within the timelines prescribed in subsection 2628(1):
 - (a) instead of the Canadian Securities Course, either the:

- (I) Canadian Investment Funds Course administered by the Investment Funds Institute of Canada, or
- (II) Investment Funds in Canada Course.
- (b) instead of the Investment Dealers Supervisors Course, either the:
 - (I) Mutual Fund Branch Managers' Examination Course administered by the Investment Funds Institute of Canada, or
 - (II) Branch Compliance Officers Course.
- (3) With the exception of *individuals* who were required to transition to the *Portfolio Manager* and *Associate Portfolio Manager* approval categories, *individuals* approved prior to December 31, 2021 are exempt from any new proficiency requirements introduced as at December 31, 2021 in subsection 2602(3), provided the *Approved Person* continues in the same role.

2626. General and discretionary exemptions

- (1) The *Corporation* may exempt any *person* or class of *persons* from any proficiency requirement, in whole or in part, if the applicant demonstrates acceptable alternative experience, and/or successful completion of alternative courses or examinations to the *Corporation*.
- (2) This exemption may be subject to any terms and conditions the *Corporation* considers appropriate.
- (3) The applicant must pay any fees prescribed by the *Board* for this exemption.

2627. Exemptions from completing the required courses

- (1) As set out in the table below, an applicant or *Approved Person* is exempt from completing a required course if the applicant meets the applicable exemption criteria.

Required course	Course required for exemption	Exemption criteria
(i)(a) 90-day Training Program	(b) none	(c) Request approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for <i>retail clients</i> either: (I) by a <i>recognized foreign regulatory organization</i> , or (II) as an advising representative or associate advising representative by a Canadian <i>securities regulatory authority</i>
(ii)(a) 30-day Training Program	(b) none	(c) Request approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for <i>retail clients</i> either: (I) by a <i>recognized foreign regulatory organization</i> ,

Required course	Course required for exemption	Exemption criteria
		or (II) as an advising representative or associate advising representative by a Canadian securities regulatory authority

2628. Course validity and exemptions from rewriting or repeating courses

- (1) Courses are valid for three years from the date of successful completion.
- (2) An applicant for approval must rewrite or repeat a course if the applicant has not been approved in a category listed in subsection 2602(3) or registered by a Canadian securities regulatory authority in a similar category requiring the course within the last three years.
- (3) The courses and examinations listed in Rule 2600 includes every prior and successor course or examination, provided that they do not have a significantly reduced scope and content, as determined by the Corporation.
- (4) For the purposes of determining course validity, an *Approved Person* is not considered to have been approved during any period in which the *Approved Person's* approval was suspended or the *individual* was otherwise not conducting any activities requiring Corporation approval on behalf of the *Dealer Member*.
- (5) The validity periods do not apply to the Canadian Investment Manager Designation, the Chartered Investment Manager Designation and the CFA Charter provided the holders of these designations continue to have the right to use the designation and the designation has not been revoked or otherwise restricted.
- (6) An *individual* is exempt from rewriting or repeating 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
(i)(a) Partners, Directors and Senior Officers Course	(b) has previously been approved as an <i>officer</i> (prior to September 28, 2009) and surrendered registration with the introduction of the Corporation approval category of <i>Executive</i>	(c) applicant for approval who has maintained continuous employment with a <i>Dealer Member</i> in a senior capacity and remained in the corporate registry of a <i>Dealer Member</i> as an <i>officer</i> since September 28, 2009
(ii)(a) Chief Financial Officers Qualifying Examination	(b) has never been approved as a <i>Chief Financial Officer</i>	(c) applicant for approval has demonstrated to the Corporation's satisfaction that the applicant has been working closely with and assisting the <i>Chief Financial Officer</i> since the completion

Course	Individual's current status	Exemption criteria
		of the Chief Financial Officers Qualifying Examination
(iii)(a) Derivatives Fundamentals Course	(b) an applicant for approval or <i>Approved Person</i> who will be dealing with clients in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> or supervising <i>Approved Persons</i> who deal with such clients	(c) applicant seeking approval or filing a notice within three years of passing the Futures Licensing Course or the Canadian Commodity Supervisors Exam
(iv)(a) Derivatives Fundamentals Course	(b) an applicant for approval or an <i>Approved Person</i> dealing with clients, in options or similar <i>derivatives</i> , or supervising <i>Approved Persons</i> who deal with such clients	(c) applicant seeking approval or filing a notice within three years of completing the Options Licensing Course or the Options Supervisors Course
(v)(a) Derivatives Fundamentals and Options Licensing Course	(b) an applicant for approval or an <i>Approved Person</i> dealing with clients, in options, or supervising <i>Approved Persons</i> who deal with such clients	(c) applicant seeking approval or filing a notice within three years of completing the Options Licensing Course
(vi)(a) Wealth Management Essentials Course	(b) an applicant for approval or <i>Approved Person</i> who will be dealing with <i>retail clients</i> in <i>securities</i>	(c) applicant seeking approval or filing a notice within three years of completing all three levels of the CFA Program or the CFA Charter administered by the CFA Institute which continues to be in good standing
(vii)(a) 90-day Training Program	(b) an applicant for approval or <i>Approved Person</i>	(c) applicant seeking approval or filing a notice within three years of being approved or registered in a capacity allowing trading of, or advising in, <i>securities</i> for <i>retail clients</i> either: (I) by a <i>recognized foreign regulatory organization</i> , or (II) as an advising representative or associate

Course	Individual's current status	Exemption criteria
		advising representative by a <i>securities regulatory authority</i>
(viii)(a) 30-day Training Program	(b) an applicant for approval or <i>Approved Person</i>	(c) applicant seeking approval or filing a notice within three years of being approved or registered in a capacity allowing trading of, or advising in, <i>securities for retail clients</i> either: (I) by a <i>recognized foreign regulatory organization</i> , or (II) as an advising representative or associate advising representative by a <i>securities regulatory authority</i>

2629. Reserved

PART C - TRANSITION PROVISIONS

2630. Transition of Advising Representatives and Associate Advising Representatives into the Portfolio Manager and Associate Portfolio Manager approval category

- (1) An *individual* registered as an advising representative or associate advising representative by a *securities regulatory authority* within the 90 days prior to the date of application as a *Portfolio Manager* or *Associate Portfolio Manager* has three months after the date of approval by the *Corporation* to complete the Conduct and Practices Handbook Course.
- (2) The *Corporation* will:
 - (i) automatically suspend the approval of the *Portfolio Manager* or *Associate Portfolio Manager* if he or she does not complete the Conduct and Practices Handbook Course within the timeframe set out in 2630(1), and
 - (ii) reinstate the *Portfolio Manager* or *Associate Portfolio Manager* once he or she has successfully completed the Conduct and Practices Handbook Course and has notified the *Corporation*.

2631. – 2699. Reserved.

RULE 2800 | THE NATIONAL REGISTRATION DATABASE

2801. Introduction

- (1) A *Dealer Member* must participate in the *National Registration Database* (defined in subsection 2802(1)).
- (2) A *Dealer Member* must ensure timely and accurate filings on the *National Registration Database*.

2802. Definitions

- (1) The following terms have the meaning set out below when used in sections 2803 through 2808:

“authorized firm representative” (<i>représentant autorisé de la société</i>)	For a <i>Dealer Member</i> , an <i>individual</i> with his or her own <i>National Registration Database</i> user identification and who is authorized by the <i>Dealer Member</i> to submit information in <i>National Registration Database</i> format for that <i>Dealer Member</i> and <i>individual</i> applicants with respect to whom the <i>Dealer Member</i> is the sponsoring <i>Dealer Member</i> .
“chief authorized firm representative” (<i>représentant en chef autorisé de la société</i>)	For a <i>Dealer Member</i> filer, an <i>individual</i> who is an <i>authorized firm representative</i> and has accepted an appointment as a <i>chief authorized firm representative</i> by the <i>Dealer Member</i> .
“National Registration Database” (<i>Base de données nationale d’inscription</i>)	The online electronic database of registration and approval information regarding <i>Dealer Members</i> , their registered or <i>Approved Persons</i> and other firms and <i>individuals</i> registered under <i>securities laws</i> , and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means including, any successor database.
“National Registration Database account” (<i>compte BDNI</i>)	An account with a member of the Canadian Payments Association from which fees may be paid with respect to <i>National Registration Database</i> by electronic pre-authorized debit.
“National Registration Database Administrator” (<i>administrateur de la Base de données nationale d’inscription</i>)	The Alberta Securities Commission or a successor appointed by the <i>securities regulatory authorities</i> to operate the <i>National Registration Database</i> .

“National Registration Database format” (<i>format BDNI</i>)	The electronic format for submitting information through the <i>National Registration Database website</i> .
“National Registration Database submission” (<i>présentation de renseignements à la Base de données nationale d’inscription</i>)	The information that is submitted under <i>securities laws</i> , securities directions or under Rule 2800, in the <i>National Registration Database format</i> , or the act of submitting information under <i>securities laws</i> , securities directions or under Rule 2800, in the <i>National Registration Database format</i> , as the context requires.
“National Registration Database website” (<i>site Web de la Base de données nationale d’inscription</i>)	The website operated by the <i>National Registration Database Administrator</i> for the <i>National Registration Database submissions</i> .

2803. Dealer Member obligations for the National Registration Database

- (1) A *Dealer Member* must, as prescribed by the applicable *securities laws*:
 - (i) enroll in the *National Registration Database* and pay the enrollment fee to the *securities regulatory authority* in the *Dealer Member’s* principal jurisdiction,
 - (ii) enroll, with the *National Registration Database Administrator*, only one *chief authorized firm representative* responsible for the *Dealer Member’s National Registration Database* filings,
 - (iii) notify the *National Registration Database Administrator*, of the appointment of a new *chief authorized firm representative* within seven days of the appointment,
 - (iv) notify the *National Registration Database Administrator*, of any change in name, phone number, fax number or email address of the *chief authorized firm representative* within seven days of the change,
 - (v) maintain only one *National Registration Database account*, and
 - (vi) submit through the *National Registration Database* any change of an *authorized firm representative* who is not the *chief authorized firm representative*, within seven days.
- (2) The following list describes the submission requirements as prescribed by *securities laws*.
 - (i) A *Dealer Member* must make the following submissions using the *National Registration Database* on the *National Registration Database* form specified, within the time period prescribed by National Instrument 33-109.

Type of submission	Form
(a) an application for approval of an <i>individual</i> under any <i>Corporation</i> requirement	Form 33-109F4 - Registration of Individuals and Review of Permitted Individuals
(b) a notification of any change in the type of business which an <i>Approved Person</i> will conduct	Form 33-109F2 - Change or Surrender of Individual Categories
(c) (I) an application for different or additional approval under <i>Corporation requirements</i> for any <i>Approved Person</i> , (II) a surrender of existing approval	Form 33-109F2 - Change or Surrender of Individual Categories
(d) a report of a change of information regarding an <i>Approved Person</i> previously submitted in Form 33-109F4	Form 33-109F5 - Change of Registration Information
(e) an application for an exemption from a proficiency requirement of section 2602 for an <i>Approved Person</i> or applicant for approval	"Apply for an Exemption" submission on the <i>National Registration Database</i>
(f) a notification by a <i>Dealer Member</i> of the end of an employee's <i>Approved Person</i> status	Form 33-109F1 - Notice of End of Individual Registration or Permitted Individual Status
(g) a notification of a <i>business location</i> opening or closing under section 2202	Form 33- 109F3 - Business locations other than head office
(h) a notification of change of address, type of location or supervision of any <i>business location</i>	Form 33-109F3 - Business locations other than head office
(i) notification of reinstatement of <i>individual</i> approval.	Form 33-109F7 - Reinstatement of Registered Individuals and Permitted Individuals (see section 2808 for eligible criteria before making this filing).

- (ii) Before filing a notice of change of business type under sub-clause 2803(2)(i)(b) above, a *Dealer Member* must notify the *Corporation* through the *National Registration Database* that either:
- (a) the *Approved Person* has completed the necessary proficiency requirements under section 2602(3) to undertake the type of business, or
 - (b) the *Approved Person* has been granted an exemption from the proficiency requirements under sections 2625 through 2628.

2804. Temporary hardship exemption

- (1) A *Dealer Member* that cannot file a document in the *National Registration Database* format within the time required under subsection 2803(2) because of unexpected technical problems must submit the document outside of the *National Registration Database* within seven days of the required filing date.
- (2) When submitting outside of the *National Registration Database* under subsection 2804(1), the *Dealer Member* must include the following text at the top of the first page of the submission in capital letters:

“IN ACCORDANCE WITH SECTION 2804 OF THE CORPORATION INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES AND PART 5 OF NATIONAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE, WE ARE SUBMITTING THIS [SPECIFY DOCUMENT] OUTSIDE OF NATIONAL REGISTRATION DATABASE UNDER A TEMPORARY HARDSHIP EXEMPTION.”
- (3) As soon as practicable, but within fourteen days after the unexpected technical problems have been fixed, a *Dealer Member* must resubmit using the *National Registration Database* format the information filed outside of the *National Registration Database* under subsection 2804(1).

2805. Due diligence and record keeping

- (1) A *Dealer Member* must make reasonable efforts to ensure that the information submitted through the *National Registration Database* is true and complete.
- (2) A *Dealer Member* must keep all documents used to meet its obligation under subsection 2805(1) for seven years after the *individual* ceases to be an *Approved Person* of the *Dealer Member*, or in any case when an *individual* who applied for approval was refused or withdrawn.
- (3) A *Dealer Member* must record the *National Registration Database* submission number on any document kept under subsection 2805(2).
- (4) For recently approved *individuals*, a *Dealer Member* must obtain, within 60 days of approval, a copy of the most recent Form 33-109F1 issued in respect of the *individual* by the former sponsoring *Dealer Member*.

2806. Fees

- (1) A *Dealer Member* must pay, the annual *National Registration Database* system fee set by the *Corporation*, to the *securities regulatory authority* in the local jurisdiction by electronic pre-authorized debit through the *National Registration Database*.
- (2) The following fees must be submitted as prescribed by *securities laws* and *Corporation* requirements:
 - (i) a *Dealer Member* making any *National Registration Database* submission under section 2803 must pay the prescribed fees for the submission, together with the *National Registration Database* system fee, to the *securities regulatory authority* in the *Dealer Member's* local jurisdiction for the use of the *National Registration Database*,

- (ii) a *Dealer Member* must pay any prescribed fees for failure to file any notification within the time specified, and
 - (iii) a *Dealer Member* is required to pay all fees payable under section 2806 through its *National Registration Database account* by pre-authorized electronic debit.
- (3) A *Dealer Member* making an application for a proficiency exemption, for an *Approved Person* or applicant for approval, will be liable for and pay the *Corporation* an exemption request fee as prescribed from time to time by the *Board*.

2807. Cessation of Approved Person status

- (1) A *Dealer Member* must notify the *Corporation* of the cessation of an individual's status as an *Approved Person*, within the time period and the manner prescribed in National Instrument 33-109.
- (2) Approval of an *individual* will end if:
 - (i) the *individual* ceases to be an *Approved Person* with a *Dealer Member*, or
 - (ii) the approved agency relationship with a *Dealer Member* is terminated.
- (3) A *Dealer Member* must upon receiving a request from an *individual* that was its former *Approved Person*, provide to the *individual* a copy of the Form 33-109F1 that the *Dealer Member* submitted under subsection 2807(1) in respect of that *individual*, within the time period prescribed by National Instrument 33-109.
- (4) If a *Dealer Member* completed and submitted the information in item five of Form 33-109F1 in respect of an *individual* who made a request under subsection 2807(3) and that information was not included in the initial copy provided to the *individual*, the *Dealer Member* must provide to that *individual* a further copy of the completed Form 33-109F1, including the information in item five, , within the time period prescribed by National Instrument 33-109.

2808. Reinstatement of Approved Persons

- (1) An individual may be reinstated in the same *Approved Person* category or categories by submitting a completed Form 33-109F7, provided the conditions in Form 33-109F7 and National Instrument 33-109 are satisfied.

2809. – 2999. Reserved.

SERIES 3000 | BUSINESS CONDUCT AND CLIENT ACCOUNTS RULES

RULE 3100 | DEALING WITH CLIENTS

3101. Introduction

- (1) Rule 3100 sets out a *Dealer Member's* obligations with respect to their dealings with their clients. The requirements are intended to underpin the *Corporation's* objectives of maintaining investor confidence in *securities* and *derivatives* markets and reinforcing a *Dealer Member's* responsibility to observe high standards of ethics and conduct in their dealings with clients.
- (2) Rule 3100 is divided into the following parts:
 - Part A - Business Conduct
[section 3102]
 - Part B - Conflicts of interest
[sections 3105 through 3114]
 - [...]

PART A – BUSINESS CONDUCT

3102. Business conduct

- (1) A *Dealer Member* must ensure that it handles its clients' business within the bounds of ethical conduct, consistent with just and equitable principles of trade, and in a manner that is not detrimental to the interests of the investing public and the investment industry.
- (2) A *Dealer Member* must take reasonable steps to ensure that all orders or recommendations for any account are within the bounds of good business practice.

3103. – 3104. - Reserved

PART B – CONFLICTS OF INTEREST

3105. Responsibility to identify conflicts of interest

- (1) A *Dealer Member* must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable:
 - (i) between the *Dealer Member* and the client, and
 - (ii) between each *Approved Person* acting on the *Dealer Member's* behalf and the client.
- (2) An *Approved Person* must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, between the *Approved Person* and the client.
- (3) If an *Approved Person* identifies a material conflict of interest under subsection 3105(2), the *Approved Person* must promptly report that conflict of interest to the *Dealer Member*.

3106. Approved Person responsibility to address conflicts of interest

- (1) An *Approved Person* must address all material conflicts of interest between the client and the *Approved Person* in the best interest of the client.
- (2) An *Approved Person* must avoid any material conflict of interest between the client and the *Approved Person* if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) An *Approved Person* must not engage in any trading or advising activity in connection with a material conflict of interest identified by the *Approved Person* under subsection 3105(2) unless,
 - (i) the conflict has been addressed in the best interest of the client, and
 - (ii) the *Dealer Member* has given the *Approved Person* its consent to proceed with the activity.

3107. Dealer Member responsibility to address conflicts of interest

- (1) A *Dealer Member* must address all material conflicts of interest between the *Dealer Member* and the client, including each *Approved Person* acting on its behalf, in the best interest of the client.
- (2) A *Dealer Member* must avoid any material conflict of interest between the client and the *Dealer Member*, including each *Approved Person* acting on its behalf, if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) A *Dealer Member* must adequately supervise how all material conflicts of interest between the client and the *Approved Person* are addressed by its *Approved Persons* pursuant to section 3106.

3108. Responsibility to disclose conflicts of interest

- (1) A *Dealer Member* must disclose in writing all material conflicts of interest identified under subsections 3105(1) and 3105(2) to the client whose interests are affected by the conflicts of interest if a reasonable client would expect to be informed of those conflicts of interest.
- (2) The information required to be disclosed to the client under subsection 3108(1) must:
 - (i) include a description of:
 - (a) the nature and extent of the conflict of interest,
 - (b) the potential impact on and risk that the conflict of interest could pose to the client, and
 - (c) how the conflict of interest has been, or will be, addressed,
 - (ii) be presented in a manner that, to a reasonable person, is prominent, specific and written in plain language,
 - (iii) be disclosed:
 - (a) before opening an account for the client if the conflict has been identified at that time, or
 - (b) in a timely manner, upon identification of a conflict that must be disclosed under subsection 3108(1) that has not previously been disclosed to the client.

- (3) For greater certainty, a *Dealer Member* and an *Approved Person* do not satisfy subsections 3106(1) or 3107(1) solely by providing disclosure to the client.

3109. Conflicts of interest policies and procedures

- (1) A *Dealer Member's* policies and procedures must specifically address identifying, disclosing and avoiding or otherwise addressing material conflict of interest situations.

3110. Personal financial dealings

- (1) An *employee* or *Approved Person* of a *Dealer Member*, must not, directly or indirectly, engage in any personal financial dealings with clients.
- (2) Personal financial dealings include, but are not limited to, the following types of dealings:
- (i) Accepting any consideration
 - (a) Except as described in paragraphs 3110(2)(i)(a)(I) and 3110(2)(i)(a)(II) accepting any consideration, including *remuneration*, gratuity or benefit, from any *person* other than the *Dealer Member* for any activities conducted on behalf of a client.
 - (I) Consideration that is non-monetary, of minimal value, and infrequent such that it will not cause a reasonable person to question whether it created a conflict of interest or otherwise improperly influenced the *Dealer Member* or its *employees* would not be considered to be consideration for the purposes of sub-clause 3110(2)(i)(a).
 - (II) Compensation received from a client in exchange for services provided through an approved outside activity would not be considered to be consideration for the purpose of sub-clause 3110(2)(i)(a).
 - (ii) Settlement agreements without the *Dealer Member's* approval
 - (a) Entering into a settlement agreement without the *Dealer Member's* prior written consent, or
 - (b) Paying for client account losses out of personal funds without the *Dealer Member's* prior written consent.
 - (iii) Borrowing from clients
 - (a) Borrowing money or receiving a *guarantee* in relation to borrowing money, *investment products* or any other assets from a client, unless:
 - (I) the client is a financial institution whose business includes lending money to the public and the borrowing is in the normal course of the institution's business, or
 - (II) the client is a Related Person as defined by the Income Tax Act (Canada) and the transaction is addressed in accordance with the *Dealer Member's* policies and procedures,
 - and
 - (III) in the case of *Associate Portfolio Managers*, *Portfolio Managers*, *Investment Representatives* and *Registered Representatives*, the arrangement set out in paragraph 3110(2)(iii)(a)(II) is disclosed to and approved in writing by the *Dealer Member*, prior to the transaction.

- (iv) Lending to clients
 - (a) Lending money, or providing a *guarantee* in relation to a loan of money, *investment products* or any other assets to a client, unless:
 - (I) the client is a Related Person as defined by the Income Tax Act (Canada) and the transaction complies with the *Dealer Member's* policies and procedures, and
 - (II) in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives* and *Registered Representatives*, the arrangement set out in paragraph 3110(2)(iv)(a)(I) is disclosed to and approved in writing by the *Dealer Member*, prior to the transaction.
- (v) Control or authority
 - (a) Accepting or acting as a Power of Attorney, trustee, executor, or otherwise having full or partial control or authority over the financial affairs of a client, unless:
 - (I) the client is a Related Person as defined by the Income Tax Act (Canada) and the existence of such control is addressed in accordance with the *Dealer Member's* policies and procedures, and
 - (II) in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives* and *Registered Representatives*, the arrangement in paragraph 3110(2)(v)(a)(I) is disclosed to and approved in writing by the *Dealer Member*, prior to entering into the arrangement.
 - (b) In the case of *discretionary accounts* and *managed accounts*, paragraph 3110(2)(v)(a)(I) does not apply to the extent that the control or authority is solely exercised consistent with the terms of the *discretionary account* agreement or the *managed account* agreement, and with *Corporation requirements* for such accounts.
- (vi) Beneficiary status and estate bequests
 - (a) For the purposes of 3110(vi)(b), “immediate family” means parents, grandparents, mother-in-law or father-in-law, spouse or domestic partner, brother or sister, brother-in-law or sister-in-law, son-in law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and any other person who resides in the same household as the *Approved Person* or *employee* and the *Approved Person* or *employee* financially supports, directly or indirectly, to a material extent. The term includes step and adoptive relationships.
 - (b) Accepting the status of a beneficiary of a client’s estate or receiving a bequest from a client’s estate upon learning of such status, unless:
 - (I) the client is a member of the *employee's* or *Approved Person's* immediate family; and
 - (II) in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives* and *Registered Representatives*, the proposed

status or bequest is disclosed to and approved in writing by the *Dealer Member*, prior to accepting such status or bequest.

3111. Offering gratuity

- (1) A *Dealer Member* or any *Approved Person*, *employee* or *shareholder* of a *Dealer Member* must not give, offer, or agree to give or offer, directly or indirectly, a gratuity, advantage, benefit or any other consideration, in relation to any business of the client with the *Dealer Member*, to any partner, director, officer, employee, agent or shareholder of a client or any *associate* of such *persons*.
- (2) Subsection 3111(1) does not apply if the prior written consent of the client has been obtained.

3112. Mutual fund sales incentives

- (1) For purposes of section 3112, the term "non-cash sales incentive" includes, without limitation, domestic or foreign trips, goods, services, gratuities, advantages, benefits or any other non-cash compensation.
- (2) A *Dealer Member*, *related company*, partner, *employee* or *Approved Person* of the *Dealer Member* or *related company*, must not, directly or indirectly, accept or pay any non-cash sales incentive in connection with the sale or distribution of mutual fund products.
- (3) The prohibition against non-cash mutual fund sales incentives in section 3112 does not apply to:
 - (i) non-cash sales incentives earned or awarded through a *Dealer Member's* internal incentive program for which eligibility is determined with respect to all services and products offered by the *Dealer Member*,
 - (ii) commissions or fees payable in cash and calculated with reference only to particular sales or volumes of sales of mutual fund,
 - (iii) service fees or trailing commissions,
 - (iv) cost of marketing materials, or
 - (v) normal and reasonable business promotion activities taking place where the recipient is employed or resides.

3113. Tied selling

- (1) A *Dealer Member* must not require a client to transact in, purchase, sell, use or invest in any *investment product* or service as a condition, or on terms that would appear to a reasonable person to be a condition of, supplying, continuing to supply, buying or selling another *investment product* or service.
- (2) Subsection 3113(1) does not prohibit a *Dealer Member* from providing financial incentives or advantages such as relationship pricing or other beneficial selling arrangements, to clients.

3114. Referral Arrangements

- (1) The following terms have the meaning set out below when used in section 3114

“client” (<i>client</i>)	Includes a prospective client.
“referral arrangement” (<i>entente d’indication de clients</i>)	Means any arrangement in which a <i>Dealer Member</i> or <i>Approved Person</i> agrees to provide or receive a referral fee to or from another <i>person</i> .
“referral fee” (<i>commission d’indication de clients</i>)	Means any benefit provided for the referral of a <i>client</i> to or from a <i>Dealer Member</i> or <i>Approved Person</i> .

- (2) A *Dealer Member* or *Approved Person* must not participate in a *referral arrangement* with another *person* unless:
- (i) before a client is referred by or to the *Dealer Member* or *Approved Person*, the terms of the *referral arrangement* are set out in a written agreement between the *Dealer Member* and the *person*,
 - (ii) the *Dealer Member* records all referral fees, and
 - (iii) the *Dealer Member* ensures that the information prescribed under subsection 3114(4) is provided to the client in writing before the party receiving the referral either opens an account for the client or provides services to the client.
- (3) A *Dealer Member* or *Approved Person* must not refer a client to another *person* unless the *Dealer Member* first takes reasonable steps to satisfy itself that the *person* has the appropriate qualifications to provide the services, and if applicable, is registered to provide those services.
- (4) The written disclosure of the *referral arrangement* required under clause 3114(2)(iii) must include the following:
- (i) the name of each party to the agreement referred to under clause 3114(2)(i),
 - (ii) the purpose and material terms of the agreement, including the nature of the services to be provided by each party,
 - (iii) any conflicts of interest resulting from the relationship between the parties to the agreement and from any other element of the *referral arrangement*,
 - (iv) the method of calculating the referral fee and, to the extent possible, the amount of the fee,
 - (v) the category of registration of each registrant that is a party to the agreement with a description of the activities that the registrant is authorized to engage in under that category and, considering the nature of the referral, the activities that the registrant is not permitted to engage in,
 - (vi) if a referral is made to a registrant, a statement that all activity requiring registration resulting from the *referral arrangement* will be provided by the registrant receiving the referral, and
 - (vii) any other information that a reasonable client would consider important in evaluating the *referral arrangement*.
- (5) If there is a change to the information set out under subsection 3114(4), the *Dealer Member* or *Approved Person* must ensure that written disclosure of that change is provided

to each *client* affected by the change as soon as possible and no later than the 30th day before the date on which a *referral fee* is next paid or received

3115. – 3118. - Reserved

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 A - Know-Your-Client and Client Identification Requirements:

sets out *Dealer Members'* obligation to know and identify each client and to learn and remain informed of the essential facts about each client, account and order accepted.
[sections 3202 through 3209]
 - Part B - Requirements for Client Accounts:

sets out the general account opening and updating procedures that, subject to certain exceptions specified within the requirements, are applicable to all accounts.
[sections 3210 through 3222]
 - Part C - Advisory Accounts:

sets out requirements that apply where the account is an *advisory account*.
[section 3230]
 - Part D - Order Execution Only Accounts:

sets out requirements that apply where the account is an *order execution only account*.
[sections 3240 and 3241]
 - Part E - Margin Accounts:

sets out requirements that apply where the account is a margin account.
[sections 3245 through 3247]
 - Part F - Additional Account Opening and Updating Procedures for Derivatives Accounts:

sets out additional account opening and updating procedures for *derivatives accounts*.
[sections 3250 through 3255]
 - Part G - Discretionary Accounts and Managed Accounts:

sets out requirements that apply where the account is either a *discretionary account* or a *managed account*.
[sections 3270 through 3281]
- (2) Rule 3200 applies to *Dealer Members* in addition to all other *Corporation requirements*. No part of Rule 3200, unless otherwise specified, shall be interpreted to grant a *Dealer Member* an exemption for complying with other *Corporation requirements*.
- (3) The following terms have the meaning set out below when used in Part A – Know-Your-Client and Client Identification Requirements and Part B – Requirements for Client Accounts:

"financial exploitation" (<i>exploitation financière</i>)	Means the use or control of, or deprivation of the use or control of, a financial asset of an <i>individual</i> by a <i>person</i> through undue influence, unlawful conduct or another wrongful act.
"trusted contact person" (<i>personne de confiance</i>)	Means an <i>individual</i> identified by a client to a <i>Dealer Member</i> or <i>Approved Person</i> whom the <i>Dealer Member</i> or <i>Approved Person</i> may contact in accordance with the client's written consent.
"vulnerable client" (<i>client vulnérable</i>)	Means a client who might have an illness, impairment, disability or aging-process limitation that places the client at risk of <i>financial exploitation</i> .

- (4) The following terms have the meaning set out below when used in Part D – Order Execution Only Accounts:

"adviser" (<i>conseiller</i>)	Means a <i>person</i> that is not an <i>individual</i> and is registered as an adviser in accordance with <i>securities laws</i> .
"foreign adviser equivalent" (<i>personne assimilable à un conseiller étranger</i>)	Means a <i>person</i> that is not an <i>individual</i> and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an <i>adviser</i> .

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

3202. Know Your-Client

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

- (4) Concurrently with taking the reasonable steps under subsection 3202(1) a *Dealer Member* must take reasonable steps to obtain from the client the name and contact information of a *trusted contact person*, and the written consent of the client for the *Dealer Member* to contact the *trusted contact person* to confirm or make inquiries about any of the following:
 - (i) the *Dealer Member's* concerns about possible *financial exploitation* of the client,
 - (ii) the *Dealer Member's* concerns about the client's mental capacity as it relates to the ability of the client to make decisions involving financial matters,
 - (iii) the name and contact information of a legal representative of the client, if any,
 - (iv) the client's contact information.
- (5) Subsection 3202(4) does not apply to a *Dealer Member* in respect of a client that is not an *individual*.

3203. Identifying partnerships or trusts

- (1) When opening an initial account for a partnership or trust, a *Dealer Member* must:
 - (i) in the case of a trust, obtain the names and addresses of all trustees and all known beneficiaries and settlors of the trust,
 - (ii) establish the existence of the partnership or trust and the nature of its business,
 - (iii) in accordance with the requirements set out in section 3206 establish the identity of each *individual* that exercises control over the affairs of the partnership or trust, and
 - (iv) in the case of *Investment Dealer Members*, not open a partnership or trust account unless it first obtains the information referred to in clause 3203(1)(iii) and determines whether the *individuals* described in clause 3203(1)(iii) and, in the case of a trust, any of the known beneficiaries of more than 10% of the trust are insiders of a reporting issuer or any other issuer whose securities are publicly traded.

3204. Identifying corporations

- (1) When opening an initial account for a corporation, a *Dealer Member* must:
 - (i) obtain the names of all directors of the corporation within 30 days of opening the account,
 - (ii) establish the existence of the corporation and the nature of its business,
 - (iii) in accordance with the requirements set out in section 3206, establish the identity of any *individual* who is the *beneficial owner*, or exercises direct or indirect control or direction, of 25% or more of the voting rights attached to the outstanding voting securities of the corporation, and
 - (iv) in the case of *Investment Dealer Members*, not open an account unless it identifies any such *individual beneficial owners* required under clause 3204(1)(iii) and determines whether one or more of them are insiders of a reporting issuer or any other issuer whose securities are publicly traded.

3205. Prohibition on shell banks

- (1) A *Dealer Member* must not open or maintain an account for a shell bank, which is defined as a bank that does not have a physical presence in any country.

- (2) Subsection 3205(1) does not apply to a bank that is an *affiliate* of a bank, loan or trust company, credit union, or other depository institution with a physical presence in Canada or in a foreign country in which the institution is subject to supervision by a banking or other similar regulatory authority.

3206. Establishing identity

- (1) For each *beneficial owner* or *individual* described in clauses 3203(1)(iii) and 3204(1)(iii), the *Dealer Member* must establish the identity of such *individual* by using such methods that allow the *Dealer Member* to form a reasonable belief it knows the identity of the *individual* and by taking reasonable measures to confirm the accuracy of the information obtained.
- (2) The *Dealer Member* must keep a record that sets out the information obtained and the measures to confirm the accuracy of that information.
- (3) The identity of such *individual* in subsection 3206(1) must be established as soon as practicable but not more than 30 days after opening the account.
- (4) If the identity of such *individual* referred to in subsection 3206(1) cannot be established within 30 days of opening an account, the *Dealer Member* must restrict the account solely to liquidating trades, paying out funds or delivering out *investment product* positions. These account restrictions must remain in place until the *Dealer Member* establishes the *individual's* identity.

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,
 - (ii) an investment fund that is regulated under *securities laws*,
 - (iii) a Canadian financial institution (as described in sub-section 3207(2) below),
 - (iv) an *affiliate* of a Canadian financial institution (as described in sub-section 3207(2) below), if that *affiliate* carries out activities similar to that Canadian financial institution,
 - (v) a Schedule III bank,
 - (vi) a pension fund that is regulated by or under an Act of Parliament or the legislature of a province,
 - (vii) an entity that is a Canadian public body, or a corporation that has minimum net assets of \$75 million on its last audited balance sheet and whose shares are traded on a Canadian stock exchange or a stock exchange designated under section 262(1) of the Income Tax Act (Canada), and operates in a country that is a member of the Financial Action Task Force. For the purpose of clause 3207(1)(vii), the term “stock exchange” has the same interpretation as used in the Income Tax Act (Canada), or
 - (viii) an entity that is an *affiliate* of a public body or a corporation referred to in clause 3207(1)(vii) above and the financial statements of the entity are consolidated with the financial statements of that public body or corporation.

- (2) A Canadian financial institution includes:
- (i) an association governed by the Cooperative Credit Associations Act (Canada), or
 - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada.

3208. Exemptions from Know-Your-Client

- (1) Clause 3202(1)(iii) and subsections 3209(4) and 3209(5) do not apply in respect to:
- (i) an *order execution only account*,
 - (ii) a *direct electronic access account*,
 - (iii) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account, or
 - (iv) an account held by an *institutional client*.

3209. Primary responsibility, delegation and obligation to keep current

- (1) Compliance with the *Corporation requirements* relating to know-your-client is primarily the responsibility of the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* assigned to the client account.
- (2) The responsibility in subsection 3209(1) must not be delegated to any other *person*.
- (3) A *Dealer Member* must take reasonable steps to keep current the information required under Part A of Rule 3200, including updating the information within a reasonable time after the *Dealer Member* becomes aware of a significant change in the client's information required under section 3202.
- (4) A *Dealer Member* must review the information collected under clause 3202(1)(iii) no less frequently than once every 36 months, except for a *managed account* and a *discretionary account* which must be reviewed no less frequently than once every 12 months.
- (5) A *Mutual Fund Dealer Member* that is also registered under *securities laws* as an exempt market dealer must review the information collected under clause 3202(1)(iii) no less frequently than every 12 months when transacting in those *investment products* it is permitted to transact in pursuant to its registration as an exempt market dealer.

PART B – REQUIREMENTS FOR CLIENT ACCOUNTS

3210. Definitions

- (1) The following term has the meaning set out below when used in Rule 3200:

“Client account records” (<i>documentation associée au compte du client</i>)	Any information, disclosure statement or agreement the <i>Dealer Member</i> is required to provide to or obtain from the client in accordance with <i>Corporation requirements</i> or <i>applicable laws</i> including, but not limited to, the following:
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	<ul style="list-style-type: none"> (i) documentation supporting the conclusion that the client's identity has been verified, (ii) documentation supporting the account appropriateness assessment, (iii) know-your-client information collected in accordance with <i>Corporation requirements</i>, and (iv) the client's account application.
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3211. Account appropriateness

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

3212. Account information

- (1) For each account, the *Dealer Member* must obtain and maintain the applicable *client account records*.
- (2) For each *institutional client*, the *Dealer Member* must verify that the client qualifies as an *institutional client*.
- (3) The *Dealer Member* must record the account number on the account application.
- (4) Where accounts are received by the *Dealer Member* from an affiliated *Investment Dealer Member* or an affiliated *Mutual Fund Dealer Member*, the *Dealer Member* may use the documentation maintained by the *affiliate* firm to meet the requirement in subsection 3212(1) provided:
 - (i) the account offering and investment products and services to be made available to the client at the *Dealer Member* are materially the same as those at the *affiliate* firm,
 - (ii) the following fees and charges associated with the account offering and investment products and services are the same or lower as those at the *affiliate* firm:
 - (a) account service fees and charges the client will or may incur relating to the general operation of the account, and

- (b) charges the client will or may incur in making, disposing and holding investment products,
- (iii) the know-your-client information collected by the *Dealer Member* and the approach used by the *Dealer Member* to assess the know-your-client information collected are materially the same as at the *affiliate* firm, and
- (iv) the *affiliate* firm account agreement has an acceptable assignment clause that in substance protects the client's interests in the same manner as if the client had signed a new account agreement with the *Dealer Member*.

3213. Account opening policies and procedures

- (1) A *Dealer Member's* policies and procedures must specifically address:
 - (i) collecting and maintaining accurate, complete and up-to-date information about each client and updating that information where there are significant changes, and
 - (ii) ensuring the completion of *client account records* when opening new accounts.
- (2) A *Dealer Member* must:
 - (i) have policies and procedures to specifically address that documents supporting *client account records* are received within a reasonable time after opening an account,
 - (ii) have a system for recording pending account documentation and following up where it is not received within a reasonable time,
 - (iii) take specific action to obtain required documents that have not been received within 25 *business days* of opening the account, unless a shorter period is prescribed,
 - (iv) have policies and procedures independent of the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* for verifying significant changes to client information, and
 - (v) have a system in place to record the review and approval by the *Supervisor* responsible for the opening of new accounts and the supervision of account activity.

3214. Opening new client accounts

- (1) A *Dealer Member* may only assign an account number to a new account if the full and accurate name and address of the client who holds the account is known to the *Dealer Member*; the complete account application must be received no later than the following *business day*.
- (2) The *Supervisor* must not approve a new account unless all *client account records* have been collected.
- (3) A *Supervisor* must approve each new account no later than one *business day* after completing the initial trade for the account.
- (4) A *Dealer Member* may use an alternative procedure to approve new accounts on an interim basis, provided the *Supervisor* provides final approval no later than one *business day* after the initial trade.
- (5) If a *Supervisor* does not approve a new account after the initial trade, the *Dealer Member* must restrict the account solely to liquidating trades, paying out funds or delivering out

investment product positions. These account restrictions must remain in place until the *Supervisor* has provided final approval of the account.

- (6) Before opening a new account for an *employee* of another *Investment Dealer Member*, an *Investment Dealer Member* must obtain written approval from the other *Investment Dealer Member*, and must designate the account as *non-client account*.

3215. Updating client accounts

- (1) The *Dealer Member's* policies and procedures must specifically address that any significant changes to client information are approved in the same manner that an account application is approved for a new account.
- (2) If a client's *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* changes, the *Dealer Member's* procedures must require that:
 - (i) the new *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* verify the client information in the account application with the client as soon as practicable to ensure the information is correct, and
 - (ii) the new *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* and the *Supervisor* acknowledge, in writing, that the account application was reviewed and, if necessary, updated.
- (3) Subject to subsection 3215(4), if the client's account application was approved within the past 36 months, the *Dealer Member* may use a copy of a client's current account application to record any changes to a client's information, but must have the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* and their *Supervisor* initial any changes.
- (4) If the client's *managed account* or *discretionary account* application was approved within the past 12 months, the *Investment Dealer Member* may use a copy of a client's current *managed account* or *discretionary account* application to record any changes to a client's information, but must have the *Portfolio Manager* or *Associate Portfolio Manager* and their *Supervisor* initial any changes.
- (5) Where a *Mutual Fund Dealer Member* that is also registered under *securities laws* as an exempt market dealer is transacting in *investment products* it is permitted to transact in pursuant to its registration as an exempt market dealer, if the client's account application was approved within the past 12 months, the *Mutual Fund Dealer Member* may use a copy of the client's current account information to record changes to a client's information but must have the *Registered Representative* and their *Supervisor* initial any changes.
- (6) The *Dealer Member* must restrict the access of *Registered Representatives, Portfolio Managers* and *Associate Portfolio Managers* and other *persons* to its systems in such a manner to ensure that material client information cannot be changed without the required approval.

3216. Relationship Disclosure

- (1) Objective of relationship disclosure requirements

This section establishes the minimum requirements for the provision of relationship disclosure information to *retail clients*. *Dealer Members* are not required to provide relationship disclosure to *institutional clients*.

Relationship disclosure information is a written communication from the *Dealer Member* to the client describing the products and services offered by the *Dealer Member*, the nature of the account and the way the account will operate and the responsibilities of the *Dealer Member* to the client.

(2) Frequency of provision of relationship disclosure information

Relationship disclosure information must be provided to each *retail client*:

- (i) at the time of opening an account or accounts, and
- (ii) when there is a significant change to the relationship disclosure information previously provided to the client.

(3) Form of relationship disclosure information

- (i) *Dealer Members* have the choice of providing customized relationship disclosure information to each client, or appropriate standardized relationship disclosure information to separate classes of clients.
- (ii) Where standardized relationship disclosure information is provided to the client, the *Dealer Member* must ensure that the disclosure is appropriate for the client. The relationship disclosure information must accurately describe the account relationship the client has entered into with the *Dealer Member*.
- (iii) Where a client has more than one account, combined relationship disclosure information may be provided to the client if the *Dealer Member* determines that the combined disclosure is appropriate for the client in light of the relevant circumstances, including the nature of the various accounts.

(4) Format of relationship disclosure information

- (i) The format of the relationship disclosure information is not prescribed but must:
 - (a) be provided to the client in writing,
 - (b) be written in plain language that communicates the information to the client in a meaningful way, and
 - (c) include all the required content set out in subsection 3216(5), or, where specific information has otherwise been provided to the client by the *Dealer Member*, a general description and a reference to the other disclosure materials containing the required information.
- (ii) *Dealer Members* may choose to provide the relationship disclosure information as a separate document or to integrate it with other account opening materials.

(5) Content of relationship disclosure information

- (i) The relationship disclosure information must be entitled "Relationship Disclosure".
- (ii) Subject to clause 3216(5)(iii), the relationship disclosure information must contain the following:
 - (a) a general description of the types of products and services the *Dealer Member* will offer to the client including:

- (I) a description of the restrictions on the client’s ability to liquidate or resell an *investment product*, and
 - (II) a statement of the investment fund management expense fees or other ongoing fees the client may incur in connection with an *investment product* or service the *Dealer Member* provides,
- (b) a general description of any limits on the products and services the *Dealer Member* will offer to the client including:
- (I) whether the firm will primarily or exclusively provide proprietary products to the client, and
 - (II) whether there will be other limits on the availability of products or services,
- (c) a description of the account relationship that states:
- (I) whether the account opened is an *advisory account*, a *managed account* or an *order execution only account*,
 - (II) whether the client is responsible for making investment decisions and, if so, the way the client will instruct the *Dealer Member* to effect transactions for the account, and
 - (III) whether recommendations or advice will be provided to the client and, if so, the responsibilities and obligations of the *Dealer Member* and its *employees* for any recommendations or advice provided to the client,
- (d) a description of the process used by the *Dealer Member* to determine suitability, including:
- (I) a description of the approach used by the *Dealer Member* to assess the client’s personal and financial circumstances, investment needs and objectives, investment time horizon, risk profile and investment knowledge,
 - (II) a statement that the client will be provided with a copy of the “know-your-client” information that is obtained from the client and documented at time of account opening and when there are significant changes to the information,
 - (III) a statement that the *Dealer Member* will determine that any investment action it takes, recommends or decides on, for the client is suitable for the client and puts the client’s interest first, including when:
 - (A) *investment product* positions are received into or delivered out of the client’s account by way of deposit, withdrawal or transfer,
 - (B) there is a change in the *Registered Representative*, *Portfolio Manager* or *Associate Portfolio Manager* responsible for the account,
 - (C) 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 the *retail client’s* account not satisfying subsection 3402(1),

- (D) the *Dealer Member* becomes aware of a change in an *investment product* position in the *retail client's* account that could result in the account not satisfying subsection 3402(1), or
- (E) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4),
- (IV) a statement indicating whether or not the suitability of the investments held in the account will be reviewed in the case of other triggering events not described in paragraph 3216(5)(ii)(d)(III) and, in particular, in the event of significant market fluctuations,
- (e) a description of the client account reporting that the *Dealer Member* will provide, including:
 - (I) a statement indicating when trade confirmations and account statements will be sent to the client,
 - (II) a description of the *Dealer Member's* minimum obligations to provide performance information to the client and a statement indicating when account position cost and account activity information will be provided to the client, and
 - (III) a statement indicating whether or not the provision of account percentage return information will be an option available to the client as part of the account service offering,
- (f) a statement indicating that any *Dealer Member* and *Approved Person* existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, which are not avoided, will be addressed in the best interest of the client and will be disclosed, where required, to the client in a timely manner, upon identification of the conflict,
- (g) a general description of any benefits received, or expected to be received, by the *Dealer Member* or the *Approved Person*, from a *person* or company other than the *Dealer Member's* client, in connection with the client's purchase or ownership of an *investment product* position through the *Dealer Member*,
- (h) a description of all account service fees and charges the client will or may incur relating to the general operation of the account,
- (i) a description of all charges the client will or may incur in making, disposing and holding investments by type of *investment product*,
- (j) a general explanation of the potential impact on a client's investment returns from each of the fees and charges described in 3216(5)(ii)(a)(II), and 3216(5)(ii)(h) and (i), including the effect of compounding over time,
- (k) a listing of the account documents required to be provided to the client with respect to the account,
- (l) a description of the *Dealer Member's* complaint handling procedures and a statement that the client will be provided with a copy of a *Corporation* approved complaint handling process brochure at time of account opening,

- (m) a general explanation of how investment performance benchmarks might be used to assess the performance of a client's investments and any options for benchmark information that might be made available to the client by the *Dealer Member*,
 - (n) a description of the circumstances under which a *Dealer Member* might disclose information about the client or the client's account to a *trusted contact person* referred to in subsection 3202(4), and
 - (o) a general explanation of the circumstances under which a *Dealer Member* or *Approved Person* may place a *temporary hold* under section 3222 and a description of the notice that will be given to the client if a *temporary hold* is placed or continued under that section.
- (iii) For *order execution only accounts*, the *Dealer Member* does not have to provide the relationship disclosure information required under sub-clause 3216(5)(ii)(d), provided that disclosure is made in compliance with the requirements in section 3241.
- (6) Review of relationship disclosure materials
- (i) The relationship disclosure information provided to the client must be approved by a partner, *Director*, *officer* or *Supervisor*. This approval must occur regardless of the form the relationship disclosure information takes. If the document is a standardized document, the *Supervisor* must ensure that the correct document is used in each client circumstance. If the relationship disclosure information is a customized for each client, the *Supervisor* must approve each document.

3217. Leverage risk disclosure statement

- (1) When opening a new account for a *retail client*, prior to making an initial recommendation to a *retail client* to transact in or to purchase *investment products* using borrowed money, or when first becoming aware of a *retail client's* intention to transact in *derivatives* or to purchase other *investment products* using borrowed money, a *Dealer Member* must:
 - (i) provide each *retail client* with a copy of the leverage risk disclosure statement, and
 - (ii) obtain the *retail client's* positive acknowledgement that they are in receipt of the disclosure statement referred to in clause 3217(1)(i).
- (2) A *Dealer Member* is not required to comply with subsection 3217(1) where it has provided the *retail client* with a leverage risk disclosure statement in accordance with subsection 3217(1) within the last six months.
- (3) A leverage risk disclosure statement must be in substantially the following words:

“Using borrowed money to finance transacting in or purchasing investment products involves greater risk than using cash resources only. If you borrow money, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the investment products transacted in or purchased declines.”

3218. Pre-trade disclosure of charges

- (1) Before a *Dealer Member* accepts an instruction from a *retail client* to transact in or to purchase or sell *investment products* 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 transaction, purchase or sale, 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 or closing transaction and the fee schedule that will apply,
 - (iii) whether the firm will receive trailing commissions, and
 - (iv) whether there are any investment fund management expense fees or other ongoing fees that the client may incur in connection with the *investment product*.
- (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* transacts, purchases or sells only as directed by a registered adviser acting for the client.

3219. Client mail

- (1) A *Dealer Member's* hold-mail account procedures for *retail clients* must, at a minimum, include the following provisions:
 - (i) a requirement that the *Dealer Member* obtain written authorization from the client to “hold mail”,
 - (ii) a requirement that limits the length of time that a “hold mail” order may remain in force for no longer than six months, in any 12-month period, and
 - (iii) a rule requiring the control and regular review of “hold mail” accounts by a *Supervisor*.
- (2) Notwithstanding clause 3219(1)(ii), a longer period may be used if:
 - (i) it is permitted by the *Dealer Member's* policies and procedures,
 - (ii) the *Dealer Member* has policies and procedures that specifically address the close supervision of such accounts, and
 - (iii) the appropriate *Supervisor* pre-approves the extended period.
- (3) A *Dealer Member's* returned mail procedures for *retail clients* must at a minimum include the following provisions:
 - (i) a rule requiring the control and investigation by a *person* independent of the sales function, but may be located within a *business location*, and
 - (ii) a rule requiring that a record of all investigations and their results be maintained.

3220. Record keeping

- (1) A *Dealer Member* must maintain *records* for each account that includes:
 - (i) *client account records*,
 - (ii) the name and address of the account guarantor, if applicable, and

- (iii) a signed trading authorization from the account holder authorizing a *person*, other than the account holder, to give trading instructions for the account, if applicable.
- (2) The *Registered Representative, Portfolio Manager or Associate Portfolio Manager* responsible for an account must retain a current copy of each account application. This requirement can be satisfied by a *Dealer Member* maintaining the information in an electronic application accessible to the *Registered Representative, Portfolio Manager or Associate Portfolio Manager*.
- (3) A *Dealer Member* must maintain all *client account records* in accordance with the record retention requirements in section 3803.
- (4) A *Dealer Member* must maintain a record of *persons* with trading authorization over one or more client accounts and must ensure that such record is sufficient to allow the *Dealer Member* to identify any *persons* with trading authorization for multiple clients or client accounts.

3221. Prohibition against discretionary trading

- (1) For the purposes of Rule 3200, a *Dealer Member* must ensure that *individuals* trading on its behalf do not engage in any discretionary trading, including time and price discretion, unless discretion is exercised in a *discretionary account or managed account* in accordance with the requirements set out in Part G of Rule 3200.
- (2) Subsection 3221(1) does not apply to time and price discretion exercised in fulfilling the *Dealer Member's best execution* obligation relating to a client order for a specific amount or a specific *investment product*.

3222. Conditions for temporary holds

- (1) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of *financial exploitation* of a *vulnerable client*, unless the *Dealer Member* reasonably believes all of the following:
 - (i) the client is a *vulnerable client*,
 - (ii) *financial exploitation* of the client has occurred, is occurring, has been attempted or will be attempted.
- (2) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of a client's lack of mental capacity unless the *Dealer Member* reasonably believes that the client does not have the mental capacity to make decisions involving financial matters.
- (3) If a *Dealer Member* or an *Approved Person* places a temporary hold referred to in subsection 3222(1) or subsection 3222(2), the *Dealer Member* must do all of the following:
 - (i) document the facts and reasons that caused the *Dealer Member* or *Approved Person* to place, and if applicable, to continue the *temporary hold*,
 - (ii) provide notice of the *temporary hold* and the reasons for the *temporary hold* to the client as soon as possible after placing the *temporary hold*,
 - (iii) review the relevant facts as soon as possible after placing the *temporary hold*, and on a reasonably frequent basis, to determine if continuing the hold is appropriate,

- (iv) within 30 days of placing the *temporary hold* and, until the hold is revoked, within every subsequent 30-day period, do either of the following:
 - (a) revoke the *temporary hold*,
 - (b) provide the client with notice of the *Dealer Member's* decision to continue the hold and the reasons for that decision.

3223. – 3229. Reserved.

PART C – ADVISORY ACCOUNTS

3230. Rules applicable to advisory accounts

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens an *advisory account* for a *retail client* must comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens an *advisory account* for an *institutional client* must:
 - (i) comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200, except for 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.

3231. – 3239. Reserved.

PART D – ORDER EXECUTION ONLY ACCOUNTS

3240. Rules applicable to order execution only accounts

- (1) For the purposes of Rule 3200, an *Investment Dealer Member* that opens an *order execution only account* for a *retail client* must comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200.
- (2) For the purposes of Rule 3200, an *Investment Dealer Member* that opens an *order execution only account* for an *institutional client* must:
 - (i) comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200, except for 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.

3241. Order execution only account services

- (1) An *Investment Dealer Member* approved by the *Corporation* to provide *order execution only account* services within either a separate legal entity or a separate business unit, must:
 - (i) implement the policies and procedures required by *Corporation requirements*, and
 - (ii) not allow its *order execution only account* service clients to:
 - (a) use their own automated order system, as defined in *securities laws*, to generate orders to be sent to the *Investment Dealer Member* or send orders to the *Investment Dealer Member* on a pre-determined basis, or

- (b) manually send orders or generate orders to the *Investment Dealer Member* that exceed the threshold on the number of orders as set by the *Corporation* from time to time,
 - (iii) not provide *order execution only account* services to any *person* that is not an *individual* and is acting as and, registered or exempted from registration as a dealer in accordance with *securities laws*, and trades on a *Marketplace* for which the *Corporation* is the regulation services provider.
- (2) Despite clause 3241(1)(iii), an *Investment Dealer Member* may provide an *order execution only account* service to a *person* that is exempted from registration as a dealer under section 8.4 of National Instrument 31-103.
- (3) An *Investment Dealer Member* approved by the *Corporation* to provide *order execution only account* services must, prior to opening an *order execution only account*:
 - (i) provide the following written disclosures to the client:
 - (a) a statement confirming that the *Investment Dealer Member* will not provide any recommendations to the client and that the client is solely responsible for making all investment decisions in the *order execution only account*,
 - (b) a statement confirming that the *Investment Dealer Member* will not be responsible for making a suitability determination for the client, as set out in sections 3402 or 3403 (other than as required by clauses 3402(3)(i) and 3403(4)(i)), and, in particular, that the *Investment Dealer Member* will not consider the client's personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon, nor other similar factors, and
 - (c) a statement confirming that the *Investment Dealer Member* will not be responsible for making a determination that the products and account types offered by the *Investment Dealer Member* in the *order execution only account* are appropriate for the client,

and
 - (ii) obtain a positive acknowledgement from the client, and each beneficial owner of the account, confirming that the client, and each beneficial owner, has received and understood the disclosures described in clause 3241(3)(i).
- (4) The *Investment Dealer Member* must maintain, in an accessible form, a record of the acknowledgement obtained under clause 3241(3)(ii) in the following form:
 - (i) the client's signature or initials on a new client form or other document, specifically related to the disclosure and acknowledgement,
 - (ii) an electronic acknowledgement attached to the disclosure and acknowledgement text, or
 - (iii) a tape recording of a verbal acknowledgement.
- (5) The *Investment Dealer Member* must ensure that a client identifier is assigned to each client that trades on a *Marketplace* for which the *Corporation* is the regulation services provider whose trading activity on *Marketplaces* for which the *Corporation* is the

regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month.

- (6) The *Investment Dealer Member* must ensure that a unique identifier is assigned to any *adviser* that trades on a *Marketplace* for which the *Corporation* is the regulation services provider and that:
 - (i) is itself a *client* of the *Investment Dealer Member*, or
 - (ii) has been granted trading authority, direction or control over an account of a *client* of the *Investment Dealer Member*.
- (7) The *Investment Dealer Member* must ensure that a unique identifier is assigned to any *foreign adviser equivalent* that trades on a *Marketplace* for which the *Corporation* is the regulation services provider and that:
 - (i) is itself a *client* of the *Investment Dealer Member*, or
 - (ii) has been granted trading authority, direction or control over an account of a *client* of the *Investment Dealer Member*.
- (8) The client identifier required in subsection 3241(5), clause 3241(6)(i) and clause 3241(7)(i) must be in the form of:
 - (i) a *Legal Entity Identifier* for clients eligible to receive a *Legal Entity Identifier* under the standards set by the *Global Legal Entity Identifier System*, or
 - (ii) an account number for all other client orders not included under subsection 3241(5), clause 3241(6)(i) and clause 3241(7)(i).
- (9) If an account number is used as the client identifier under clause 3241(8)(ii), the *Investment Dealer Member* must provide the account number and the name of the corresponding client to the *Corporation*.
- (10) The *Investment Dealer Member* must provide each unique identifier assigned pursuant to clause 3241(6)(ii) and clause 3241(7)(ii) and the name of the corresponding firm to the *Corporation*.
- (11) For clients using an *order execution only account* that are not referred to under subsection 3241(5), clause 3241(6)(i), or clause 3241(7)(i), the *Investment Dealer Member* must use an account number as the client identifier.
- (12) The *Investment Dealer Member* must ensure that each order in a listed security entered on a *Marketplace* for which the *Corporation* is the regulation services provider contains:
 - (i) the *Legal Entity Identifier* of the *Investment Dealer Member* if it is a non-executing *Investment Dealer Member* that is not a *Participant*, and
 - (ii) a designation to indicate the order is for an *order execution only account*.
- (13) The *Investment Dealer Member* must ensure that each order in a *listed security* entered on a *Marketplace* for which the *Corporation* is the regulation services provider contains either:
 - (i) the identifier required under subsection 3241(5), clause 3241(6)(i), clause 3241(7)(i) or subsection 3241(11), or
 - (ii) a designation to indicate the order is a *bundled order* or a *multiple client order*.

- (14) The *Investment Dealer Member* must ensure that each order entered on a *Marketplace* for which the *Corporation* is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to clause 3241(6)(i) or clause 3241(7)(i) contains the unique identifier assigned to that firm.
- (15) The *Investment Dealer Member* must ensure that each order entered on a *Marketplace* for which the *Corporation* is the regulation services provider by or on behalf of an account over which an *adviser* or *foreign adviser equivalent* has been granted trading authority, direction or control and an identifier was assigned pursuant to clause 3241(6)(ii) or clause 3241(7)(ii) contains the identifier assigned to that firm.
- (16) Despite the requirement to include a client identifier assigned under subsection 3241(5) on an order sent to a *Marketplace*:
- (i) if an *adviser* is assigned a unique identifier pursuant to clause 3241(6)(ii), each order entered by or on behalf of an account, over which that *adviser* has been granted trading authority, direction or control, on a *Marketplace* for which the *Corporation* is the regulation services provider must contain the unique identifier assigned to that *adviser*, or
 - (ii) if a *foreign adviser equivalent* is assigned a unique identifier pursuant to clause 3241(7)(ii), each order entered by or on behalf of an account over which that *foreign adviser equivalent* has been granted trading authority, direction or control, on a *Marketplace* for which the *Corporation* is the regulation services provider must contain the unique identifier assigned to that *foreign adviser equivalent*.
- (17) The non-executing *Investment Dealer Member* that is not a *Participant* must ensure that the registration status of its *Legal Entity Identifier* has not lapsed.
- (18) An *Investment Dealer Member* approved by the *Corporation* to provide *order execution only account* services within either a separate legal entity or a separate business unit, must ensure that:
- (i) its order-entry systems and records are capable of labeling all account documentation, including monthly statements and confirmations, as “order execution only accounts” or other similar phrase, and
 - (ii) the client monthly statements of its *order execution only account* services are not consolidated with any other client account statements, including those of any other business unit of the *Investment Dealer Member* or of the *Investment Dealer Member* itself.

3242. – 3244. Reserved.

PART E – MARGIN ACCOUNTS

3245. Rules applicable to margin accounts

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens a margin account for a *retail client* must comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200.

- (2) For the purposes of Rule 3200, a *Dealer Member* that opens a margin account for an *institutional client* must:
- (i) comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200, except for 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.

3246. Margin requirements - when to extend margin to clients

- (1) In deciding whether to allow a client to trade on margin, a *Dealer Member* must ensure that the client is aware of the risks and benefits associated with trading on margin.

3247. Margin account agreement

- (1) Prior to opening a margin account, a *Dealer Member* must:
- (i) deliver a margin account agreement to the client, and
 - (ii) obtain a copy of the margin account agreement signed by the client.
- (2) A *Dealer Member's* margin account agreement must, at a minimum, contain a written description of the following rights and obligations:
- (i) the client's obligation to pay their indebtedness to the *Dealer Member* and to maintain adequate margin,
 - (ii) the client's obligation to pay interest on debit balances in their account,
 - (iii) the *Dealer Member's* right to raise money on and pledge assets held in the client's account,
 - (iv) the extent to which the *Dealer Member* has the 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,
 - (v) the *Dealer Member's* right to sell assets in the client's account and make purchases to cover short sales. If the client requires prior notice, the *Dealer Member* must set out the nature of the notice and the client's obligations to remedy any deficiency,
 - (vi) the extent of the *Dealer Member's* right, if any, to use an *investment product* in the client's account for delivery against a short sale,
 - (vii) the extent to which the *Dealer Member* has the right, if any, to use an *investment product* in the client's account for delivery against a short sale in an account owned or controlled by the *Dealer Member*, a partner or *Director*,
 - (viii) the extent of the *Dealer Member's* right to use assets in the client's account and to hold them as collateral for the client's debt, and
 - (ix) the *Dealer Member's* obligation to carry out all transactions in accordance with *Corporation requirements* and, where applicable, the requirements of the marketplace on which the transaction has been executed.

3248. – 3249. Reserved.

PART F – ADDITIONAL ACCOUNT OPENING AND UPDATING PROCEDURES FOR DERIVATIVES ACCOUNTS

3250. Rules applicable to derivatives accounts

- (1) For the purposes of Rule 3200, an *Investment Dealer Member* that opens a *derivatives* 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, an *Investment Dealer Member* that opens a *derivatives* 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, except for 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) An *Investment Dealer Member* must ensure that *persons* trading on its behalf or advising clients in *derivatives* accounts meet minimum proficiency requirements.

3251. Accepting a derivatives account

- (1) To accept *derivatives* accounts:
 - (i) the *Investment Dealer Member* must obtain a completed *derivatives* account application from the client.
 - (ii) the *Investment Dealer Member* must enter into a *derivatives* trading agreement with the client prior to:
 - (a) accepting the account as a *derivatives* account, and
 - (b) executing an initial *derivatives* transaction in the account,
 - (iii) the *Investment Dealer Member* must provide the client with the most recent *derivatives* disclosure statement or similar disclosure document.

3252. Derivatives trading agreement

- (1) An *Investment Dealer Member's 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 *Investment 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 *Investment Dealer Member's* 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 conditions under which the *Investment Dealer Member* may apply the client's funds, *investment product* positions or other property in the account or any other accounts of the client to satisfy outstanding debts or margin calls,
- (v) the *Investment Dealer Member's* 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 *Investment 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) where discretionary authority is given to the *Investment Dealer Member*:
 - (a) disclosures explaining the discretionary authority that has been given,
 - (b) the client's acknowledgement that it 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 *Investment Dealer Member*,
 - (c) pay commission or other compensation, if any,
 - (d) pay interest, if any, on account debit balances,
- (ix) the *retail 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 *Investment Dealer Member's* deadlines for a client to submit an exercise notice,
 - (b) the method the *Investment Dealer Member* will use to distribute assignment notices,
 - (c) disclosures indicating that:

- (I) the *Investment Dealer Member* may set maximum limits on short positions,
- (II) the *Investment Dealer Member* may apply cash-only terms during the last 10 days before expiry, and
- (III) the *Corporation* may impose other rules affecting existing or subsequent transactions,
- (d) the client's obligation to instruct the *Investment Dealer Member* to close out positions before expiry,
- (xii) for futures contracts, forward contracts, contracts for difference and similar *derivatives*, disclosures indicating that the *Investment 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 *Investment 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 *derivatives* or highly-leveraged *securities* or *derivatives*,
 - (ii) applies to an 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.

3253. Letter of undertaking

- (1) Instead of a *derivatives* trading agreement, an *Investment Dealer Member* may obtain a letter of undertaking for accounts where the client is classified as an institutional client.
- (2) The letter of undertaking must state:
 - (i) that the client agrees to comply with *Corporation requirements*, any *applicable laws*, and the requirements of any entity through which the *derivative* is traded, cleared, or issued, including, without limitation, position limit, and exercise 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, *investment product* positions or other property may be made between accounts, unless these conditions are acknowledged by the client in another document.

3254. Derivatives risk disclosure statement

- (1) An *Investment Dealer Member* must:

- (i) provide each *derivatives retail client* with the most recent *derivatives* risk disclosure statement or other similar document, approved by *Corporation* before accepting an initial *derivatives* order from the client,
- (ii) obtain the client’s acknowledgement of receipt of the statement or document provided under clause 3254(1)(i),
- (iii) provide each *derivatives retail client* with any amendments to the statement or document provided under clause 3254(1)(i),
- (iv) maintain a record of the names and addresses of all clients to whom it has provided the statement or similar document 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.

3255. Position and exercise limits

- (1) An *Investment Dealer Member* must comply with the requirements of any entity through which the *derivative* is traded, cleared, or issued, including, without limitation, reporting, position limit and exercise limit requirements.

3256. Futures porting disclosures

- (1) Where the client account is subject to a *futures segregation and portability customer protection regime*, an *Investment 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 3256(1)(i), and
 - (iii) notify the client of the obligation of the *Investment Dealer Member* to provide the clearing corporation with information and reports related to the client’s positions.

3257. – 3269. Reserved.

PART G – DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS

3270. Definitions

- (1) The following term has the meaning set out below when used in sections 3271 through 3281:

<p>“responsible person” (<i>personne responsable</i>)</p>	<p>A partner, <i>Director</i>, <i>officer</i>, <i>employee</i> or <i>agent</i> of an <i>Investment Dealer Member</i> who:</p> <ul style="list-style-type: none"> (i) exercises discretionary authority over the account of a client or approves discretionary orders for an account when exercising such discretion or giving such approval pursuant to sections 3273 through 3276, or (ii) participates in the formulation of, or has prior access information regarding investment decisions made on behalf
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	of or advice given to a <i>managed account</i> but does not include a sub-adviser under section 3279.
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3271. Rules applicable to discretionary accounts and managed accounts

- (1) For the purposes of Rule 3200, an *Investment Dealer Member* that accepts a *discretionary account* or a *managed account* for a *retail client* must comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200.
- (2) For the purposes of Rule 3200, an *Investment Dealer Member* that opens a *discretionary account* or a *managed account* for an *institutional client* must:
 - (i) comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200, except for 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) The *Investment Dealer Member* must ensure that *individuals* trading or advising on its behalf, in *discretionary accounts* or *managed accounts*, meet the applicable proficiency requirements.

3272. Reserved.**DISCRETIONARY ACCOUNTS****3273. Accepting a discretionary account**

- (1) To accept *discretionary accounts*:
 - (i) the *Investment Dealer Member* must obtain a completed *discretionary account* application from the client,
 - (ii) the *Investment Dealer Member* must enter into a *discretionary account* agreement with the client prior to:
 - (a) accepting the account as a *discretionary account*, and
 - (b) engaging in trading in the account.

3274. Discretionary account agreement

- (1) A *discretionary account* agreement must:
 - (i) define the extent of the discretionary authority given to the *Investment Dealer Member* by the client,
 - (ii) include any restrictions on the discretionary authority,
 - (iii) have a maximum term of no longer than 12 months,
 - (iv) not be renewable, and
 - (v) set out the terms of termination in accordance with subsection 3274(2).
- (2) A *discretionary account* agreement may only be terminated by written notice:
 - (i) by the client, effective when received by the *Investment Dealer Member*, except for orders entered prior to receipt of the notice, or
 - (ii) by the *Investment Dealer Member*, effective not less than 30 days from the date the *Investment Dealer Member* delivered the notice to the client.

3275. Persons authorized to affect discretionary trades

- (1) A *Registered Representative* may only be authorized to affect trades for a *discretionary account* if:
 - (i) the *Registered Representative* has at least two years of active experience in trading, advising or performing analysis with respect to all types of products that are to be traded on a discretionary basis, and
 - (ii) the *discretionary account* is maintained at the *Investment Dealer Member* on whose behalf the *Registered Representative*, conducts business.

3276. Conflicts of interest

- (1) A *discretionary account* must not hold any publicly traded securities of the *Investment Dealer Member* or its *affiliates*.
- (2) A *responsible person* or a *Investment Dealer Member* must not trade for his or her or the *Investment Dealer Member's* own account, or knowingly permit or arrange any *associate* or *affiliate* to trade, in reliance upon information relating to trades made or to be made in a *discretionary account*.
- (3) A *responsible person* or a *Investment Dealer Member* must not, without the prior written consent of the client, knowingly allow a *discretionary account* to:
 - (i) invest in a security or *derivative* of a security of an issuer if the *individuals* authorized under subsection 3275(1) to deal with *discretionary accounts* is an officer or director of the issuer, unless the position with the issuer is disclosed to the client, or
 - (ii) invest in new issues or secondary offerings underwritten by the *Investment Dealer Member*.
- (4) A *responsible person* or a *Investment Dealer Member* must not allow a *discretionary account* to provide a guarantee or loan to a *responsible person* or an *associate* of a *responsible person*.

MANAGED ACCOUNTS**3277. Accepting a managed account**

- (1) To accept *managed accounts*:
 - (i) the *Investment Dealer Member* must obtain a completed *managed account* application from the client,
 - (ii) the *Investment Dealer Member* must enter into a *managed account* agreement with the client prior to:
 - (a) accepting the account as a *managed account*, and
 - (b) engaging in trading in the account,
 - (iii) the *Investment Dealer Member* must provide the client with a copy of its policy ensuring fair allocation of investment opportunities.

3278. Managed account agreement

- (1) The *managed account* agreement must:

- (i) describe or refer to the client's personal and financial circumstances, investment knowledge, investment time horizon, investment needs and objectives and risk profile that are applicable to the *managed account* or accounts,
 - (ii) describe any investment restrictions imposed by the client, where permitted by the *Investment Dealer Member*, and
 - (iii) set out the terms of termination in accordance with subsection 3278(2).
- (2) The *managed account* agreement may only be terminated by written notice:
- (i) by the client, effective on receipt by the *Dealer Member*, except for transactions entered prior to receipt of the notice, or
 - (ii) by the *Investment Dealer Member*, effective not less than 30 days from the date the *Investment Dealer Member* delivered the notice to the client.

3279. Persons authorized to deal with managed accounts

- (1) An *Investment Dealer Member* must designate an *individual* authorized to deal with *managed accounts* who is:
- (i) a *Portfolio Manager*,
 - (ii) an *Associate Portfolio Manager*, or
 - (iii) a sub-advisor with whom the *Investment Dealer Member* has entered into a written sub-advisor agreement.
- (2) The sub-advisor in clause 3279(1)(iii) must be:
- (i) registered or licensed, or operating under an exemption from registration or licensing, under *securities laws* of the jurisdiction in which its head office or principal place of business is located, that permits it to carry on *managed account* activities, or its equivalent, in such jurisdiction, and
 - (ii) subject to legislation or regulations containing conflict of interest provisions at least equivalent to those set out in section 3280 or has entered into an agreement with the *Investment Dealer Member* that it will comply with section 3280.

3280. Conflicts of interest

- (1) A *responsible person* or an *Investment Dealer Member* must not trade for their or the *Investment Dealer Member's* own account, or knowingly permit or arrange any *associate* or *affiliate* to trade, in reliance upon information relating to trades made or to be made in a *managed account*.
- (2) A *responsible person* or an *Investment Dealer Member* must not, without the prior written consent of the client, knowingly allow a *managed account* to:
- (i) invest in a security or *derivative* of a security of an issuer that is related or connected to a *responsible person* or to the *Investment Dealer Member*,
 - (ii) invest in a security or *derivative* of a security of an issuer if the *individuals* authorized under subsection 3279(1) to deal with *managed accounts* is an officer or director of the issuer, unless the position with the issuer is disclosed to the client, or
 - (iii) invest in new issues or secondary offerings underwritten by the *Investment Dealer Member*.

- (3) A *responsible person* or an *Investment Dealer Member* must not knowingly cause any *managed account* to:
 - (i) purchase or sell a security or *derivative* of a security of an issuer from or to the account of a *Portfolio Manager*, an *Associate Portfolio Manager* or an *associate* of a *Portfolio Manager* or an *associate* of an *Associate Portfolio Manager*,
 - (ii) purchase or sell a security or *derivative* of a security of an issuer from or to an investment fund for which a *responsible person* acts as an adviser, or
 - (iii) provide a guarantee or loan to a *responsible person* or an *associate* of a *responsible person*.
- (4) An *Investment Dealer Member* must fairly allocate investment opportunities among its *managed accounts*.

3281. Fees and remuneration

- (1) An *Investment Dealer Member* may not charge a client directly for services rendered to the *managed account*, that is:
 - (i) based upon the volume or value of transactions in the account initiated for the account, or
 - (ii) contingent upon profit or performance of the client's account, unless the client has provided the *Investment Dealer Member* with a written agreement which sets out the way the fees may be charged based on volume or value of transactions or contingent upon profit or performance.
- (2) An *Investment Dealer Member* must not compensate a *person* referred to in section 3279, based on the value or volume of transactions in the account.

3282. -3299. Reserved.

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

3301. Product Due Diligence

- (1) A *Dealer Member* must not make *investment products* available to clients unless the *Dealer Member* has taken reasonable steps to:
 - (i) assess the relevant aspects of the *investment products*, including their structure, features, risks, initial and ongoing costs and the impact of those costs,
 - (ii) approve the *investment products* to be made available to clients, and
 - (iii) monitor the *investment products* for significant changes.
- (2) An *Approved Person* must not purchase *investment products* for, or recommend *investment products* to, a client unless they 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 transact in or purchase or sell *investment products* for, or recommend *investment products* to, a client unless the *Approved Person* takes steps to understand the *investment products*, including their 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 *investment products* are those that are reasonable to enable the *Approved Person* to meet their obligations under Rule 3400.

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

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

3304. - 3399. Reserved.

RULE 3400 | SUITABILITY DETERMINATION

3401. Introduction

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

3402. Retail client suitability determination requirements

- (1) Before a *Dealer Member*:
 - (i) transacts in, purchases, sells, withdraws, exchanges or transfers-out *investment products* for a *retail client's* account,
 - (ii) takes any other investment action for a client, or
 - (iii) 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:
 - (iv) 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 *investment product*, required in accordance with Rule 3300,
 - (c) the impact of the action on the *retail client's* account, including the concentration of *investment products*, within the account and their liquidity,
 - (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* as applicable, through the *Dealer Member* at the time the determination is made, and
 - (v) the action puts the *retail client's* interest first.
 - (iii) 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:
 - (iv) 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 *investment product*, required in accordance with Rule 3300,
 - (c) the impact of the action on the *retail client's* account, including the concentration of *investment products*, within the account and their liquidity,
 - (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* as applicable, through the *Dealer Member* at the time the determination is made, and
 - (v) the action puts the *retail client's* interest first.
- (2) A *Dealer Member* must review the *retail client's* account and the *investment products* 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) *investment product* positions are received or delivered into the client's account by way of deposit or transfer-in,
 - (ii) there is a change in the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* 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 an *investment product* position, or the *retail client's* account not satisfying subsection 3402(1),
 - (iv) the *Dealer Member* becomes aware of a change in an *investment product* position in the *retail client's* account that could result in the *investment product* position, or account not satisfying subsection 3402(1), or
 - (v) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4).
- (3) When making a suitability determination pursuant to subsection 3402(1), a *Dealer Member*

must determine, on a reasonable basis, that the *retail client's* account portfolio of investments that would result from the investment action the *Dealer Member* takes, recommends or exercises discretion to take is suitable for the *retail client* and puts the *retail client's* interest first.

- (4) If after performing a suitability determination pursuant to subsection 3402(1) a *Dealer Member* receives an instruction from a *retail client* to take an action that, if taken, does not satisfy subsection 3402(1), the *Dealer Member* may carry out the *retail client's* instruction if the *Dealer Member* has:
 - (i) informed the *retail client* of the basis for the determination that the action will not satisfy subsection 3402(1) and advised the client against proceeding with the order,
 - (ii) recommended to the *retail client* an alternative action that satisfies subsection 3402(1), and
 - (iii) received recorded confirmation of the *retail client's* instruction to proceed with the action despite the determination referred to in clause 3402(4)(i).
- (5) If after performing a suitability determination pursuant to subsection 3402(1) a *Dealer Member* has determined that an action taken for a *retail client* does not satisfy subsection 3402(1), the *Dealer Member* must:
 - (i) advise the *retail client*,
 - (ii) make recommendations to address any inconsistencies, and
 - (iii) maintain evidence of such recommendations.
- (6) A *Dealer Member* must have policies and procedures to assess the appropriateness of a *retail client's* leverage strategies and set out the process of approval of such strategies, and related documentation requirements.
- (7) The policies and procedures established by the *Dealer Member* under subsection 3402(6) must be effective in detecting and preventing leverage strategies that are unsuitable.
- (8) A *Dealer Member* must determine, on a reasonable basis and putting the *retail client's* interest first, that:
 - (i) it is suitable for the *retail client* to continue having an account with the *Dealer Member*, and
 - (ii) the scope of products, services and account relationships which the *retail client* has access to within the account are suitable for the *retail client*.

3403. Institutional client suitability determination requirements

- (1) Subject to the applicable exemptions set out in section 3404, a suitability determination must be made for an *institutional client*:
 - (i) before any order is accepted from the client, and
 - (ii) before a recommendation is made to the client to transact in or to purchase, sell, exchange or hold another *investment product*.
- (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 *investment product*,
 - (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 *investment product* under consideration, including the client's ability to independently evaluate how market developments would affect the *investment product* and ancillary risks such as currency rate risk, and
 - (vii) the complexity of the *investment product* involved.
- (3) Once each suitability determination has been made and:
- (i) the *Dealer Member* has reasonable grounds for concluding that the *institutional client* is capable of making an independent investment decision and independently evaluating the investment risk, then the *Dealer Member's* suitability obligation is fulfilled for that transaction, or
 - (ii) the *Dealer Member* does not have reasonable grounds for concluding that the *institutional client* is capable of making an independent investment decision and independently evaluating the investment risk, then the *Dealer Member* must take steps to ensure that the *institutional client* fully understands the *investment product*, including the potential risks.
- (4) A *Dealer Member* must determine, on a reasonable basis and putting the *institutional client's* interest first, that:
- (i) it is suitable for the *institutional client* to continue having an account with the *Dealer Member*, and
 - (ii) the scope of products, services and account relationships which the *institutional client* has access to within the account are suitable for the *institutional client*.

3404. Exemptions from the suitability determination requirements

- (1) Other than clauses 3402(3)(i) and 3403(4)(i), sections 3402 or 3403 do not apply in respect to:
 - (i) an *order execution only account*, or
 - (ii) a *direct electronic access account*.
- (2) Sections 3402 and 3403 do not apply in respect to an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution,

clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account.

- (3) Other than subsection 3403(4), section 3403 does not apply in respect to:
 - (i) an account held by a *Dealer Member*, *regulated entity*, exempt market dealer, portfolio manager, bank, trust company or insurance company, or
 - (ii) an account held by a 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.

3405. Reserved.

3406. Primary responsibility and delegation

- (1) Compliance with *Corporation requirements* relating to suitability determination is primarily the responsibility of the *Registered Representative*, *Portfolio Manager* or *Associate Portfolio Manager* assigned to the client account.
- (2) *Registered Representatives*, *Portfolio Managers* and *Associate Portfolio Managers* must not delegate their responsibility for suitability assessment obligations to any other *person*.

3407 - 3499. Reserved

RULE 3500 | SALES PRACTICES

3501. Introduction

- (1) Rule 3500 sets out minimum standards that *Dealer Members* must follow in their dealings with clients and when developing policies and procedures that specifically address sales practices.

3502. Definitions

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

“commencement of distribution” (<i>début du placement</i>)	The time when an <i>Investment Dealer Member</i> has had <i>distribution discussions</i> which are of sufficient specificity that it is reasonable to expect that the <i>Investment Dealer Member</i> (alone or with other underwriters) will propose an underwriting of <i>equity securities</i> to the issuer or selling security-holder.
“distribution” (<i>placement</i>)	The same meaning as defined under <i>securities laws</i> and includes a distribution pursuant to a bought deal agreement.
“distribution discussions” (<i>discussions de placement</i>)	Discussions by an <i>Investment Dealer Member</i> with an issuer or a selling security-holder, or with another underwriter that has had discussions with an issuer or selling security-holder, concerning a <i>distribution</i> .

3503. Client priority

- (1) A *Dealer Member* must give priority to client orders or transactions over all other orders or transactions for the same *investment product* 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.
- (3) Where investment decisions are made centrally and applied across a number of *managed accounts*, subsections 3503(1) and 3503(2) do not apply to the *managed accounts* of partners, *Directors*, *officers*, *employees* or *Approved Persons* of a *Dealer Member* who participate in a *managed account* program on the same basis as client accounts.

3504. Commission fees, service fees and other account related fees

- (1) Upon the opening of an account, or 60 days prior to any fee being charged with respect to the account, a *Dealer Member* must provide each client with a fee schedule relating to any:
 - (i) fixed dollar or fixed percentage commission fees,
 - (ii) service fees,
 - (iii) administrative fees, and
 - (iv) other account charges.
- (2) A *Dealer Member* who charges any of the fees identified in subsection 3504(1) may not charge a higher fee unless it has given 60 days’ notice of this change to its clients.
- (3) A *Dealer Member* must disclose to clients whether interest will be paid on client cash held in trust and the rate. Notwithstanding this requirement, the *Dealer Member* may retain the

interest earned in excess of the amount of interest payable to the client. The *Dealer Member* may only revise the rate of interest upon the delivery of at least 60 days written notice to the client.

- (4) The requirements set out in subsections 3504(1) and (2) do not apply to accounts of *institutional clients*.
- (5) The disclosure requirements set out in subsections 3504(1) and (2) do not apply to interest charged by a *Dealer Member* in respect of an account.
- (6) A *Dealer Member* may not charge a client a fee that is contingent upon the profit or performance of the client's account, unless specifically permitted under *Corporation requirements*.

3505. Payment of commission fees

- (1) Unless otherwise permitted under *securities laws*, a *Dealer Member* must not pay any commission fees or other fees in connection with payments received from a client or issuer, to any *person* other than a *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager*.

3506. During the period of distribution

- (1) During the period of *distribution*, an *Investment Dealer Member* who participates in a *distribution* as an underwriter or as a member of a banking or selling group, must not offer for sale or accept any offer to buy all or any part of those securities at a price higher than the stated initial public offering price of the securities, and
- (2) This obligation continues until the *Investment Dealer Member* has notified the applicable securities commission that its role in the *distribution* has ended.

3507. New issues

- (1) For the purpose of section 3507, the term "normal investment practice" does not include an account that has regularly purchased "hot issues" based on the history of investments in that account with the *Investment Dealer Member*.
- (2) An *Investment Dealer Member* must make a bona fide offering of the total amount of its participation in a new issue to public investors.
- (3) Public investors do not include an officer or employee of a bank, insurance company, trust company, investment fund, pension fund or similar institutional body or the immediate families of an officer or employee of these institutions regularly engaged in the purchase or sale of securities for such institution unless:
 - (i) the purchases are demonstrated to be for bona fide personal investment, and
 - (ii) are made in accordance with the *person's* normal investment practice.

3508. Inside information

- (1) For the purpose of section 3508 "material non-public information" means material facts or material changes not generally disclosed as defined under *securities laws*.
- (2) A *Director, Executive* or *employee* of a *Dealer Member* acting as a director to a reporting issuer is a person in a special relationship with the reporting issuer and must not disclose

any *material non-public information* about the reporting issuer to anyone including any *Directors, Executives, employees* or clients, or research or trading departments of the *Dealer Member* unless in the necessary course of business.

- (3) A representative of a *Dealer Member* acting in an underwriting or *advisory capacity* to a reporting issuer is a person in a special relationship with the reporting issuer and must not disclose any *material non-public information* about the reporting issuer to anyone including any *Directors, Executives, employees* or clients, or research or trading departments of the *Dealer Member* unless in the necessary course of business.
- (4) When a *Dealer Member, Director, Executive* or *employee* of a *Dealer Member* has *material non-public information* about the issuer and discloses it to other personnel of the *Dealer Member* in the necessary course of business, those persons also become persons in a special relationship with the reporting issuer and must not disclose any *material non-public information* about the reporting issuer to anyone including any *Directors, Executives, employees* or clients, or research or trading departments of the *Dealer Member* unless in the necessary course of business.
- (5) A *Dealer Member's* policies and procedures must specifically address maintaining the confidentiality of *material non-public information*.

3509. Premarketing

- (1) In subsections 3509(2), 3509(4) and 3509(5), an “informed person” refers to any *employee* or *Approved Person* of an *Investment Dealer Member* who:
 - (i) participated in or had actual knowledge of the *distribution discussions*, or
 - (ii) acts on information provided by or is directed by, induced by, or otherwise receives suggestions from a *person* who directly or indirectly participated in or had actual knowledge of the *distribution discussions*.
- (2) An *informed person* must not solicit expressions of interest from the public, in the type of securities subject to *distribution discussions*, from the *commencement of distribution discussions* until the earliest of:
 - (i) the issuance of a receipt for the preliminary prospectus,
 - (ii) a press release issued and filed in accordance with *applicable laws*, announcing the signing of an enforceable agreement in respect of the potential *distribution*, and
 - (iii) the *Investment Dealer Member* deciding not to pursue the potential *distribution*.
- (3) For the purpose of clause 3509(2)(ii), a press release will be deemed to have been issued when it is released to a news distribution service for distribution and will be deemed to have been filed when delivered or sent to the relevant provincial *securities regulatory authority*, in accordance with *securities laws*.
- (4) An *informed person* must not engage, direct, suggest or induce another *informed person* to engage in market making or other principal trading activities in securities that are the subject of *distribution discussions*.
- (5) Where an *Investment Dealer Member* and issuer or selling security-holder can show a bona fide intention to distribute the *equity securities* pursuant to a prospectus exemption:

- (i) the *Investment Dealer Member* including the *informed person* will not be subject to the restrictions in subsection 3509(2),
 - (ii) notwithstanding clause 3509(5)(i), the restrictions in subsection 3509(2) will apply from the time it is reasonable to expect that a decision to abandon an exempt offering of *equity securities* in favor of a prospectus offering will be taken.
- (6) An *Investment Dealer Member* involved in a *distribution* as an underwriter must:
- (i) maintain policies and procedures that specifically address compliance with the obligations under section 3509, and
 - (ii) monitor the *Investment Dealer Member*, its *employees* and *Approved Persons* compliance with these policies and procedures.

3510. - 3599. Reserved.

RULE 3600 | COMMUNICATIONS WITH THE PUBLIC

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 communications and client communications
[section 3602]
 - Part B – Research reports
[sections 3606 through 3623]
 - Part C – Misleading Communications
[section 3640]

PART A – ADVERTISEMENTS, SALES COMMUNICATIONS AND CLIENT COMMUNICATIONS**3602. Advertising**

- (1) A *Dealer Member* must not issue, participate in or knowingly allow the use of its name in any *advertisement, sales communication or client communication* that:
 - (i) contains an untrue statement or omission of a material fact or is otherwise false or misleading,
 - (ii) uses an image such as a photograph, sketch, logo or graph which conveys a misleading impression;
 - (iii) contains an unjustified promise of specific results,
 - (iv) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions,
 - (v) contains any opinion or forecast of future events which is not clearly labeled as such,
 - (vi) fails to fairly present the potential risks to the client,
 - (vii) is detrimental to the interests of the public, the *Corporation* or its *Dealer Members*,
or
 - (viii) 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 communications and client communications* relating to its business.
- (3) A *Dealer Member* must ensure that the following items are approved by a *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 *advertisements, sales communications or client communications* not listed in subsection 3602(3) are 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 communications* and *client communications*, 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 communications* and *client communications* and all *records* of supervision for the period set out in section 3803. These items must be readily available for inspection by the *Corporation*.

3603 - 3605. Reserved.

PART B – RESEARCH REPORTS

3606. Definitions

- (1) The following terms have the meaning set out below when used in Part B of Rule 3600:

“analyst” (<i>analyste</i>)	An <i>Investment Dealer Member’s</i> employee or <i>Approved Person</i> who is held out to the public as an analyst or whose responsibilities to the <i>Dealer Member</i> include the preparation, for distribution to clients or prospective clients, of any written report, which includes a recommendation with respect to a security.
“equity related security” (<i>titre lié à des titres de capitaux propres</i>)	A security whose performance is based on the performance of an underlying <i>equity security</i> or a basket of income producing assets, including <i>derivatives</i> , convertible securities and income trust units.
“investment banking” or “investment banking service” (<i>services bancaires d’investissement</i>)	Includes but is not limited to: (i) acting as an underwriter in an offering of securities for an issuer, (ii) acting as a financial adviser in a merger or acquisition, or (iii) providing venture capital, lines of credit or serving as a placement agent for an issuer.

3607. Policies and procedures and minimum disclosure

- (1) An *Investment Dealer Member’s* policies and procedures must specifically address:
- (i) the conduct of *analysts*,
 - (ii) the publishing of *research reports*, and
 - (iii) the making of recommendations by *analysts*.

- (2) An *Investment Dealer Member* must designate one or more *Supervisors* to be responsible for reviewing and approving *research reports*.

3608. Research report disclosure of potential conflicts of interest

- (1) A *research report* prepared by the *Investment Dealer Member* must disclose any matter which might reasonably indicate an existing or potential conflict of interest for the *Investment Dealer Member* or the *analyst*, which includes, but is not limited to, the matters set out in subsection 3608(2).
- (2) A *research report* prepared by the *Investment Dealer Member* must disclose:
- (i) if the *Investment Dealer Member* or its *affiliates* has *beneficial ownership* of the *equity securities* of the subject issuer that amounts to one percent or more of any class of such securities:
 - (a) as of the end of the month prior to the issuance date of the *research report*, or
 - (b) as of the end of the second most recent month if the report issuance date is less than 10 days after the end of the prior month,
 - (ii) if:
 - (a) the *analyst*,
 - (b) an *associate* of the *analyst*, or
 - (c) any *person* directly involved in the preparation of the report, holds or is short any of the issuer's securities directly or indirectly,
 - (iii) any services provided by any partner, *Director* or *officer* of the *Investment Dealer Member* or *analyst* involved in the preparation of a report, other than services provided in the normal course investment advisory or trade execution services to the issuer for *remuneration*, during the 12 months immediately preceding the date a *research report* or recommendation was issued,
 - (iv) any *investment banking services* provided by the *Investment Dealer Member* to the issuer for *remuneration* during the 12 months immediately preceding the date a *research report* or recommendation was issued,
 - (v) the name of any partner, *Director*, *officer*, *employee* or *agent* of the *Investment Dealer Member* who is a partner, director, officer or employee of the issuer, or who serves in an equivalent *advisory capacity* to the issuer, and
 - (vi) if it is making a market in any *equity security* or *equity related security* of the subject issuer.

3609. Additional disclosures

- (1) A *research report* must disclose or indicate where the following information is otherwise available:
- (i) the *Investment Dealer Member's* system for rating investment opportunities and how each recommendation fits within the system, and
 - (ii) the *Investment Dealer Member's* policies and procedures that specifically address the dissemination of its *research reports*.

- (2) An *Investment Dealer Member* must, on a quarterly basis, disclose the percentage of its recommendations that fall into each category of its recommendation system.

3610. Quality of disclosures in a research report

- (1) An *Investment Dealer Member* must ensure that the *research report* disclosures required in sections 3608 and 3609 are made in a clear, meaningful, comprehensive and prominent manner.
- (2) The *Investment Dealer Member* must not use standard disclosure statements when it is more appropriate to use specific information and customized disclosures in order to comply with the requirements set out in section 3608 or 3609.

3611. Independent third party research report

- (1) The disclosures required by sections 3608 and 3609 are applicable to *research reports* prepared by an independent third party that is distributed by an *Investment Dealer Member* to its clients under the independent third party's name.
- (2) The disclosures in sections 3608 and 3609 are not required in the following circumstances:
 - (i) in the case of independent third party *research reports* that are issued by members of the Financial Industry Regulatory Authority or *persons* governed by other regulators approved by the *Corporation*, or
 - (ii) when an *Investment Dealer Member* is only giving clients access to independent third party *research report*, or supplying an independent third party *research report* at the request of a client,
and
 - (iii) the *Investment Dealer Member* discloses that the independent third party *research report* was not prepared in accordance with Canadian disclosure requirements relating to *research reports*.

3612. Directing the reader to disclosures

- (1) When an *Investment Dealer Member* distributes a *research report*:
 - (i) covering six or more issuers, the report may direct the reader to where the disclosures required under sections 3608, 3609 and 3616 may be found, or
 - (ii) electronically, the report may direct the reader to where the disclosures required under sections 3608, 3609 and 3616 may be accessed by electronic means, such as through the use of a hyperlink.

3613. Visiting an issuer

- (1) An *Investment Dealer Member* must disclose in its *research reports*:
 - (i) whether, and to what extent, an *analyst* has visited the issuer's material operations, and
 - (ii) if the issuer has paid or reimbursed any of the *analyst's* travel expenses with respect to the visit.

3614. Relationship with the issuer

- (1) An *Investment Dealer Member* must not issue a *research report* prepared by an *analyst* on any issuer for which the *analyst*, an *associate* of the *analyst* or the *Supervisor*:
 - (i) serves as an officer, director or employee of the issuer, or
 - (ii) serves in any *advisory capacity* to the issuer.

3615. Notice to discontinue coverage

- (1) An *Investment Dealer Member* must issue notice of its intention to suspend or discontinue coverage of an issuer, to the same audience who received the coverage and in the same manner that the coverage was distributed.
- (2) Notice of discontinuance of coverage is not required if the sole reason for the suspension is that the issuer has been placed on an *Investment Dealer Member's* restricted list.

3616. Setting price targets

- (1) If an *Investment Dealer Member* sets a price target in a *research report*, the *Investment Dealer Member* must disclose, in that *research report*, the valuation method used.

3617. Prohibited inducements

- (1) An *Investment Dealer Member* must not, as consideration or inducement for the receipt of business or compensation from an issuer, directly or indirectly:
 - (i) offer to issue favourable *research report* on the issuer,
 - (ii) offer to set a favourable rating or price target on one or more of the issuer's securities,
 - (iii) offer to delay the changing of a rating or price target on one or more of the issuer's securities or the changing of any other *research report* element, including offering to delay the issue date of the *research report*, or
 - (iv) threaten to change a rating or a price target on one or more of the issuer's securities or any other element of a *research report*.

3618. Public comments

- (1) When giving an interview or otherwise making any public comment about the merits of an issuer or its securities, an *employee* or *Approved Person* of an *Investment Dealer Member* must disclose whether or not the *Investment Dealer Member* has issued a relevant *research report*.

3619. Policies and procedures on trading

- (1) An *Investment Dealer Member* who issues or distributes *research reports* must have policies and procedures that specifically address detecting and restricting any trading in *equity securities* or *equity related securities* of a subject issuer that is done with knowledge of or in anticipation of:
 - (i) the issuance of a *research report*,
 - (ii) a new recommendation, or
 - (iii) a change in a recommendation,

related to the subject security that could reasonably be expected to influence the price of the subject securities.

- (2) An *individual* directly involved in the preparation or approval of a *research report* must not trade in *equity securities* or *equity related securities* of the subject issuer for a period beginning 30 days prior to and ending five days after the issuance of the *research report*.
- (3) Notwithstanding subsection 3619(2), an *individual* may trade with the prior written approval of a designated *Executive* of the *Investment Dealer Member*.
- (4) Approval under subsection 3619(3) may not be granted for trades that are contrary to the *analyst's* current recommendation, unless special circumstances exist.

3620. Prohibition on investment banking compensation

- (1) A *research report* must disclose if the *analyst* responsible for the report received compensation within the prior 12 months that was based upon the *Investment Dealer Member's* investment banking revenues.
- (2) An *Investment Dealer Member* must not pay any bonus, salary or other compensation to an *analyst* that is directly based upon a specific *investment banking* transaction.

3621. Relationship with investment banking

- (1) An *Investment Dealer Member's* policies and procedures must specifically address preventing recommendations in *research reports* from being influenced by the *investment banking* department or the issuer.
- (2) The policies and procedures must specifically address, at a minimum:
 - (i) prohibiting the approval of *research reports* by the *investment banking* department,
 - (ii) limiting the *investment banking* department's involvement in the production of *research reports* solely to the correction of factual errors,
 - (iii) prohibiting and preventing the *investment banking* department from receiving advance notice of new ratings or rating changes on covered issuers, and
 - (iv) establishing systems to control and record the flow of information between *analysts* and *investment banking* department staff, regarding issuers that are the subject of current or prospective *research reports*.

3622. Quiet periods

- (1) An *Investment Dealer Member* must not issue a *research report* on *equity securities* of a subject issuer for which the *Investment Dealer Member* has acted as manager or co-manager:
 - (i) for 10 days after the date of the offering of an initial public offering of *equity securities* of the subject issuer,
 - (ii) for three days after the date of the offering of a secondary offering of *equity securities* of the subject issuer.
- (2) Subsection 3622(1) does not prevent an *Investment Dealer Member* from issuing a *research report* on the effects of significant news about or a significant event affecting the issuer within the applicable 10 day or three day period.

- (3) Subsection 3622(1) does not apply where the subject securities are exempted from restrictions under provisions relating to market stabilization set out in *Corporation requirements and securities laws*.

3623. Outside activities

- (1) An *Investment Dealer Member* must pre-approve an *analyst's* outside activities.

3624. – 3639. Reserved.

PART C – MISLEADING COMMUNICATIONS

3640. Misleading communications

- (1) An *Approved Person* must not hold themselves out, and a *Dealer Member* must not hold itself or its *Approved Persons* out, including through the use of a *trade name*, in a manner that could reasonably be expected to deceive or mislead any person or company as to any of the following matters:
- (i) the proficiency, experience, qualifications or category of registration or approval of the *Approved Person*,
 - (ii) the nature of the person's relationship, or potential relationship, with the *Dealer Member* or the *Approved Person*, or
 - (iii) the products or services provided, or to be provided, by the *Dealer Member* or the *Approved Person*.
- (2) For greater certainty, and without limiting subsection 3640(1), an *Approved Person* who interacts with clients must not use any of the following:
- (i) if based partly or entirely on that *Approved Person's* sales activity or revenue generation, a title, designation, award, or recognition,
 - (ii) a corporate officer title, unless their *Dealer Member* has appointed that *Approved Person* to that corporate office pursuant to applicable corporate law, or
 - (iii) if the *Approved Person's Dealer Member* has not approved the use by that *Approved Person* of a title or designation, that title or designation.

3641. – 3699. Reserved.

[...]

RULE 3900 | SUPERVISION

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 *derivatives* accounts
[sections 3960 through 3964]
 - Part G - Supervision of discretionary accounts and managed accounts
[sections 3970 through 3975]
- (2) Appropriate supervision of all aspects of a *Dealer Member's* business and operations is a fundamental responsibility of the *Dealer Member*. The *Dealer Member's* policies and procedures that specifically address its supervision system must remain up-to-date at all times, based on current *Corporation requirements* and *applicable laws*.
- (3) The *Dealer Member's* board of directors is responsible for ensuring that an appropriate supervision system is in place.

3902. – 3903. Reserved.

PART A – GENERAL SUPERVISION REQUIREMENTS**3904. Policies and procedures**

- (1) A *Dealer Member's* policies and procedures must establish a supervisory system to supervise the activities of all its *employees* and *Approved Persons* that provides reasonable assurance they comply with *Corporation requirements* and *securities laws*.
- (2) As part of its supervisory system, the *Dealer Member*, at a minimum, must:
 - (i) have policies and procedures that specifically address supervision of its *employees* and *Approved Persons*,
 - (ii) have policies and procedures relating to supervision that provide reasonable assurance of compliance with *Corporation requirements*, *securities laws* and *applicable laws*,
 - (iii) ensure all supervisory policies and procedures are in writing, and

- (iv) amend its policies and procedures relating to supervision within a reasonable time after changes in *Corporation requirements*, or *securities laws* are made.
- (3) A *Dealer Member* must communicate its policies and procedures to all relevant *employees* and *Approved Persons* and must:
 - (i) provide its sales and supervisory *employees* and *Approved Persons* with the *Dealer Member's* sales practices policies and procedures relevant to their functions,
 - (ii) obtain and record acknowledgements from all sales and supervisory *employees* and *Approved Persons* that they have read and understood the policies and procedures relevant to their respective roles and responsibilities,
 - (iii) provide introductory and continuing education to all *Approved Persons* on the *Dealer Member's* policies and procedures and any relevant changes to them,
 - (iv) communicate information relating to *Corporation requirements and applicable laws*, to all sales *employees* and other *Approved Persons* to whom it is relevant,
 - (v) have policies and procedures that specifically address the method and timing of the distribution of compliance related notices,
 - (vi) promptly communicate changes in its policies and procedures to all relevant *employees* and *Approved Persons*, and
 - (vii) have procedures to provide reasonable assurance that each *employee* and *Approved Person* understands their responsibilities under the *Dealer Member's* policies and procedures.

3905. Supervisory personnel and resources

- (1) A *Dealer Member* must assign sufficient personnel and commit adequate resources necessary to fully and properly apply and enforce its policies and procedures.
- (2) A *Dealer Member* must appoint as many *Supervisors* and *Executives* as necessary to:
 - (i) properly supervise its *employees* and *Approved Persons*, and
 - (ii) ensure compliance with *Corporation requirements*, considering the scope and complexity of the *Dealer Member's* business.
- (3) A *Dealer Member* must designate *Supervisors* and *Executives*, with the qualifications and authority necessary to fully carry out the responsibilities assigned to them.
- (4) A *Dealer Member* must take reasonable steps to ensure all its *Supervisors* and *Executives* are fully proficient and understand the products that *employees* and *Approved Persons* under their supervision trade in or advise on, as well as the services these *employees* and *Approved Persons* provide, to the degree necessary to properly supervise those *employees* and *Approved Persons*.
- (5) A *Dealer Member* must have procedures in place that ensure that *Supervisors* are properly performing their supervisory functions.

3906. Responsibilities of the Supervisor

- (1) Each *Supervisor* must fully and properly supervise each *employee* and *Approved Person* under their authority in accordance with:
 - (i) the supervisory responsibilities assigned to the *Supervisor*,

- (ii) the *Dealer Member's* policies and procedures, and
- (iii) *Corporation requirements* and *securities laws*.

3907. Delegation of supervisory tasks

- (1) A *Supervisor* may delegate supervisory tasks and procedures, but not the responsibility for their performance.
- (2) Any delegation of supervisory tasks must not be contrary to *Corporation requirements*, *securities laws* and *applicable laws*.
- (3) A delegate must be qualified to perform the assigned tasks by virtue of registration, training or experience.
- (4) The *Supervisor* must:
 - (i) inform the delegate of the tasks delegated to them and what is expected of them in the performance of the delegated tasks, in writing,
 - (ii) ensure that the delegate adequately performs the delegated tasks, and
 - (iii) establish reporting mechanisms for issues arising from the performance of delegated tasks.
- (5) The *Dealer Member* must maintain a record of the terms of the delegation, as well as the *Supervisor's* follow up and review of the delegated tasks.
- (6) The *Dealer Member* must inform the *Supervisor* of specific functions that cannot be delegated.
- (7) The *Dealer Member* must:
 - (i) inform the *Supervisor* of specific tasks or activities that have been automated pursuant to clause 1103(1)(ii),
 - (ii) ensure the *Supervisor* understands how the automated tasks and activities work, and
 - (iii) ensure proper performance of the related function in compliance with *Corporation requirements*.

3908. Supervision records

- (1) A *Dealer Member* must maintain a record of the names of *Supervisors*, their supervisory responsibilities and the date each *Supervisor* was designated.
- (2) A *Dealer Member* must have a system in place to record the review and approval, conducted by any *Supervisor* that is required under *Corporation requirements*.
- (3) A *Dealer Member* must maintain adequate *records* of supervisory activity, including on-site branch reviews, compliance issues identified and the resolution of such issues.
- (4) Where supervision *records* are kept at a branch office, the *Dealer Member* must conduct periodic on-site reviews of branch office supervision and record keeping.
- (5) The *records* set out in section 3908 must be kept for the period set out in section 3803.

3909. Responsibilities of the Executive

- (1) Each *Executive* must supervise and direct the activities of the *Dealer Member*, and its *employees* and *Approved Persons*, in accordance with the areas of its responsibility, to

provide reasonable assurance of compliance with *Corporation requirements* and *securities laws*.

3910. Responsibilities of the Ultimate Designated Person

- (1) The *Ultimate Designated Person* is responsible to the *Corporation* for the conduct of the *Dealer Member* and the supervision of its *employees* and *Approved Persons*.
- (2) The *Ultimate Designated Person* must:
 - (i) supervise the activities of the *Dealer Member*, and the activities of each *individual* acting on the *Dealer Member's* behalf, that are directed towards ensuring compliance with *Corporation requirements* and *securities laws*, and
 - (ii) promote compliance by the *Dealer Member*, and each *individual* acting on its behalf, with *Corporation requirements* and *securities laws*.

3911. Reserved.

3912. Responsibilities of the Chief Compliance Officer

- (1) The *Chief Compliance Officer* must:
 - (i) establish and maintain policies and procedures to assess compliance by the *Dealer Member* and *individuals* acting on its behalf with *Corporation requirements* and *securities laws*, other than those required under subsection 3913(1),
 - (ii) monitor and assess compliance by the *Dealer Member* and *individuals* acting on its behalf with *Corporation requirements* and *securities laws*, and
 - (iii) report to the *Ultimate Designated Person* as soon as possible if there is any indication that the *Dealer Member* or any *individual* acting on its behalf may be in non-compliance with *Corporation requirements* or *securities laws*, other than those required under subsection 3913(1), and:
 - (a) the non-compliance creates a reasonable risk of harm to a client,
 - (b) the non-compliance creates a reasonable risk of harm to the capital markets, or
 - (c) the non-compliance is part of a pattern of non-compliance.
- (2) The *Chief Compliance Officer* must have access to the *Ultimate Designated Person* and the *Dealer Member's* board of directors as necessary to carry out their responsibilities.

3913. Responsibilities of the Chief Financial Officer

- (1) The *Chief Financial Officer* must:
 - (i) establish and maintain policies and procedures for the *Dealer Member* relating to financial *Corporation requirements*,
 - (ii) monitor adherence to the *Dealer Member's* policies and procedures to provide reasonable assurance that the *Dealer Member* complies with the financial *Corporation requirements*,
 - (iii) identify any breaches of approved capital usage limits and report them in accordance with section 4116; and

- (iv) report to the *Ultimate Designated Person* as soon as possible if there is any indication that the *Dealer Member* or any *individual* acting on its behalf may be in non-compliance with the financial requirements of the *Corporation* and:
 - (a) the non-compliance creates a reasonable risk of harm to a client,
 - (b) the non-compliance creates a reasonable risk of harm to the capital markets, or
 - (c) the non-compliance is part of a pattern of non-compliance.
- (2) The *Chief Financial Officer* must have access to the *Ultimate Designated Person* and the *Dealer Member's* board of directors as necessary to carry out their responsibilities.

3914. Reserved.**3915. Report to Dealer Member's board of directors**

- (1) At least annually, the *Chief Compliance Officer* must provide a written report to the *Dealer Member's* board of directors for the purpose of assessing compliance by the *Dealer Member*, and its *employees* and *Approved Persons*, with *Corporation requirements* and *securities laws*, other than those required under subsection 3915(2).
- (2) At least annually, the *Chief Financial Officer* must provide a written report to the *Dealer Member's* board of directors for the purpose of assessing compliance by the *Dealer Member*, and its *employees* and *Approved Persons*, with the financial *Corporation requirements* and *securities laws*, as necessary.
- (3) The *Dealer Member's* board of directors must review the reports and recommendations submitted to it pursuant to section 3915 to determine the appropriate action to be taken to remedy any compliance deficiencies that are identified and must ensure that such action is taken.
- (4) The *Dealer Member's* board of directors must maintain *records* of the actions it determines necessary to correct compliance problems and the monitoring done to ensure that the actions are carried out.

3916. Governance document

- (1) A *Dealer Member* must file with the *Corporation*:
 - (i) a copy of a current governance document that sets out the organizational structure and reporting relationships required under Rule 3900, and
 - (ii) notice of any material changes to the organizational structure and reporting relationships set out in the governance document.

3917. Annual supervisory review of financial and operational policies and procedures

- (1) A *Dealer Member* must ensure that a supervisory review of its financial and operational policies and procedures is completed at least annually and that any deficiencies are identified and corrected.

3918. Supervision of shared office premises

- (1) A *Dealer Member* must have policies and procedures that specifically address the supervision of *shared office premises*, as contemplated by sections 2216 through 2219, to provide reasonable assurance:

- (i) compliance with *Corporation requirements*, and
 - (ii) the client has a clear understanding of which entity they are dealing with.
- (2) A *Dealer Member* must have:
- (i) adequate supervisory resources to implement its policies and procedures,
 - (ii) a system for communicating *Corporation requirements* relating to *employees* and *Approved Persons* at the *shared office premises*, and
 - (iii) a process providing reasonable assurance that *Corporation requirements* relating to *shared office premises* are understood and implemented.

3919. – 3924. Reserved.

PART B – SUPERVISION OF ALL ACCOUNTS

3925. Supervision by designated persons

- (1) A *Dealer Member* must effectively supervise account activity and must take reasonable steps to provide reasonable assurance of compliance with *Corporation requirements*, *securities laws* and *applicable laws*.
- (2) A *Dealer Member* must designate one or more *Supervisors* to be responsible for approving the opening of new accounts and for establishing and maintaining procedures relating to account supervision and supervising account activity, in accordance with *Corporation requirements*.
- (3) The *Supervisor* must be familiar with applicable *Corporation requirements*, *securities laws* and *applicable laws* and the *Dealer Member's* policies and procedures.
- (4) A *Dealer Member* must appoint one or more alternate *Supervisors* as required, to the *Supervisors* designated in subsection 3925(2), to supervise the *Dealer Member's* business and to assume the responsibility of the *Supervisor* designated in subsection 3925(2) in their absence.

3926. Account supervision policies and procedures

- (1) A *Dealer Member's* policies and procedures must specifically address account supervision, which includes its standards for the review and supervision of account activity.
- (2) A *Dealer Member's* policies and procedures must specifically address the *Dealer Member's* obligations to:
 - (i) identify clients that present a high risk to the *Dealer Member*,
 - (ii) identify clients that present a high risk of conducting improper activities in the investment markets, and
 - (iii) comply with all anti-money laundering and terrorist financing requirements under *applicable laws*.
- (3) All policies and procedures relating to the supervision of accounts held at a *Dealer Member* and any substantive amendments to such policies and procedures, must be approved by the *Dealer Member's Chief Compliance Officer* or another appropriate *Executive*.
- (4) A *Dealer Member* must provide all supervisory staff with written:
 - (i) procedures to be followed in reviewing account activity, and

- (ii) confirmation of the *Dealer Member's* expectations of supervisory staff, with respect to their supervisory roles and responsibilities.
- (5) A *Dealer Member's* policies and procedures must include controls for accessing and amending client *records*.
- (6) A *Dealer Member* must periodically review the policies and procedures used at its head office and its business locations to provide reasonable assurance the policies and procedures continue to be effective and reflect current legislative and regulatory requirements, as well as industry practices.

3927. Reviews of account activity

- (1) A *Dealer Member* must review account activity as required by *Corporation requirements* and must take reasonable steps to provide reasonable assurance that account activity complies with *Corporation requirements, securities laws* and other *applicable laws* and the *Dealer Member's* policies and procedures.
- (2) A *Dealer Member* must record and keep evidence of completed supervisory reviews, including details of inquiries about issues and their resolution, for the period required in section 3803.
- (3) A *Dealer Member* must establish and follow procedures for the implementation of additional supervisory measures applicable to *Approved Persons* with a history of regulatory infractions or questionable conduct.

3928. – 3944. Reserved.

PART C – SUPERVISION OF RETAIL CLIENT ACCOUNTS

3945. Daily and monthly trade supervision

- (1) A *Dealer Member* that has *retail client* accounts must have policies and procedures that specifically address daily and monthly supervision of trading activity in *retail client* accounts. These policies and procedures must outline actions to deal with problems or issues identified by the review.
- (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, where applicable, specifically address the detection of:
 - (i) unsuitable trading,
 - (ii) undue concentration of *investment products* 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 transaction transfers and trade 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 *investment products* 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.
- (3) The *Dealer Member* must develop policies and procedures that specifically address supervising *retail client* accounts where a commission is not charged for trades placed by or for a client, such as fee-based accounts. These policies and procedures must:
- (i) address account activity review *Corporation requirements*, and
 - (ii) use criteria other than commission levels.
- (4) An *Investment Dealer Member* must specifically designate the following *retail client* accounts for supervision purposes:
- (i) *non-client accounts*,
 - (ii) *discretionary accounts*,
 - (iii) *managed accounts*,
 - (iv) registered accounts, and
 - (v) restricted accounts.
- (5) A *Mutual Fund Dealer Member* must specifically designate the following *retail client* accounts for supervision purposes:
- (i) accounts where the client is a Related Person, as defined by the Income Tax Act (Canada), of the *Registered Representative* and the *Registered Representative* has full or partial control or authority over the financial affairs of the client,
 - (ii) leveraged accounts, and
 - (iii) registered accounts.

3946. Additional supervisory responsibilities

- (1) In addition to transactional activity, where applicable, 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 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.

3947. Supervision of new Registered Representatives and Investment Representatives

- (1) A Dealer Member must closely supervise *Registered Representatives* and *Investment Representatives* dealing with *retail clients* for six months after approval, as set out in the *Registered Representative / Investment Representative Monthly Supervision Report*.
- (2) Subsection 3947(1) does not apply if:
 - (i) the *Registered Representative* was previously approved, for six months or more, to advise on trades for *retail clients* for a securities firm that is a member of a *SRO* or a *recognized foreign regulatory organization*, or
 - (ii) the *Investment Representative* was previously approved for six months or more to advise on trades or to trade for *retail clients* for a securities firm that is a member of a *SRO* or a *recognized foreign regulatory organization*.
- (3) A Dealer Member must complete and keep a copy of every *Registered Representative / Investment Representative Monthly Supervision Report* for the Corporation's inspection.

3948. Supervision of suitability determination obligations

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

3949. Reserved.

PART D – SUPERVISION OF INSTITUTIONAL CLIENT ACCOUNTS

3950. Supervisory policies and procedures for institutional client accounts

- (1) A Dealer Member that offers *institutional client* accounts must have policies and procedures that specifically address the supervision and review of trading activity in *institutional clients'* accounts. These policies and procedures must outline the actions to deal with problems or issues identified from supervisory reviews.
- (2) In addition to meeting the Dealer Member's general supervisory obligations, including any relevant obligations relating to trading in *investment products* 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,
 - (iv) front running by *employee* or proprietary accounts,
 - (v) trading in *securities* that have restrictions on their transfer,
 - (vi) transacting in *derivatives* whose underlying interest has restrictions on their transfer, and

(vii) exceeding *derivative* position or exercise limits.

3951. Supervision of suitability determination obligations

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

3952. – 3954. Reserved.

PART E – SUPERVISION OF ORDER EXECUTION ONLY ACCOUNTS

3955. Supervision of order execution only accounts

- (1) An *Investment 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 *Investment Dealer Member's* general supervisory obligations and any relevant obligations relating to transacting in *investment products*,
 - (ii) ensure that clients are not provided with recommendations because the client has an account with:
 - (a) a separate legal entity of the *Investment Dealer Member*,
 - (b) a separate business unit of the *Investment Dealer Member*, or
 - (c) the *Investment Dealer Member* itself, and
 - (iii) to review customer trading and accounts for those concerns listed in Rule 3900, other than those relating to the suitability requirements.
- (2) The *Investment Dealer Member's*, or separate business unit of the *Investment Dealer Member*, policies and procedures relating to review of client trading must specifically address the risks associated with the method of order entry and the absence of intermediation by *employees* of the *Investment Dealer Member*.
- (3) The *Investment Dealer Member* or separate business unit of the *Dealer Member* must maintain an audit trail of all supervisory reviews as required in Rule 3900.
- (4) The *Investment Dealer Member* or separate business unit of the *Dealer Member* must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under section 3955.

3956. – 3959. Reserved.

PART F – SUPERVISION OF DERIVATIVES ACCOUNTS

3960. Supervision of derivatives accounts

- (1) An *Investment Dealer Member* that has *derivatives* accounts must, where applicable:
- (i) appoint a *Supervisor* to be responsible for the supervision of its activities that involve options contracts or similar *derivatives*, and

- (ii) appoint a *Supervisor* to be responsible for the supervision of its activities that involve futures contracts, forward contracts, contracts for difference, futures contract options or similar *derivatives*.
- (2) The *Investment Dealer Member* must appoint one or more alternate *Supervisors* if necessary to ensure continuous supervision of each relevant *derivatives* activities.
- (3) An alternate *Supervisor* must assume all or part of the *Supervisor's* responsibilities if:
 - (i) the relevant *Supervisor* is absent or unable to carry out their duties, or
 - (ii) an activity requires additional qualified *individuals* to supervise the *Investment Dealer Member's derivatives* account-related activities.
- (4) The *Supervisors* must have the qualifications and experience required to supervise the relevant *Investment Dealer Member's derivatives* account-related activities.
- (5) The *Investment Dealer Member* must have policies and procedures that specifically address the supervision and operation of *derivatives* accounts to provide reasonable assurance of compliance with *Corporation requirements*.
- (6) The *Investment Dealer Member* must identify *derivatives* accounts in its records to allow supervision of the *derivatives* accounts in accordance with *Corporation requirements*.

3961. Responsibility of Supervisors for derivatives accounts

- (1) The *Supervisors* are responsible for:
 - (i) approving new *derivatives* accounts and the *derivatives* trading agreements signed by the client, and
 - (ii) ensuring that the handling of *derivatives* accounts complies with *Corporation requirements*.
- (2) The relevant *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 *Supervisors* should restrict the account from using inappropriate strategies and note on the *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.
- (3) The *Investment Dealer Member* must maintain a record of the relevant *Supervisor's* approvals in accordance with the record retention requirements in section 3803.

3962. Supervision of retail derivatives accounts

- (1) The *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) putting the client's interest first.

- (2) The *Investment Dealer Member* must ensure that *Registered Representatives, Investment Representatives, Portfolio Managers* and *Associate Portfolio Managers* only trade in or advise on those *derivatives* included in their approval category.
- (3) On a daily and monthly basis, the *Supervisor* must review all *derivatives* accounts that are designated as *discretionary accounts* and *managed accounts*.
- (4) The *Investment Dealer Member* must have *policies* and procedures that specifically address notifying clients of:
 - (i) approaching expiry dates,
 - (ii) significant changes in *derivatives* resulting from changes in the underlying interest,
 - (iii) any changes in the *Investment Dealer Member's* business policy, and
 - (iv) any new developments in the trading or regulation of *derivatives* that may impact clients.
- (5) The *Investment Dealer Member* must have policies and procedures that specifically:
 - (i) require the *Supervisor* to approve the solicitation of clients to use *derivatives* programs, as well as clients' actual use of *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 *derivatives* 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 derivatives account trading activity

- (1) In addition to *Corporation requirements* relating to account supervision, the *Investment Dealer Member's* policies and procedures must specifically address the review of *derivative* transactions to detect the following:
 - (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 accounts determined in accordance with clause 3252(1)(vii) and subsection 3252(2),
 - (v) exceeding *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
 - (xi) exposures to delivery obligations through the holding of futures contracts, forward contracts and similar *derivatives* into the delivery month.
- (2) Accounts must be selected for review using criteria that provides reasonable assurance of detecting improper trading activity.

3964. Access to Approved Persons qualified in derivatives

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

3965. - 3969. Reserved.

PART G – SUPERVISION OF DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS

3970. Supervision of discretionary accounts

- (1) An *Investment Dealer Member* that has *discretionary accounts* must appoint a *Supervisor* to be responsible for the supervision of *discretionary accounts*,
- (2) The *Investment Dealer Member* must appoint one or more alternate *Supervisors* if necessary to ensure continuous supervision of each relevant discretionary activities.
- (3) An alternate *Supervisor* must assume all or part of the *Supervisor's* responsibilities if:
 - (i) the relevant *Supervisor* is absent or unable to carry out their duties, or
 - (ii) an activity requires additional qualified *individuals* to supervise the *Investment Dealer Member's discretionary account*-related activities.
- (4) The *Supervisors* must have the qualifications and experience required to supervise the relevant *Investment Dealer Member's discretionary account*-related activities.
- (5) The *Investment Dealer Member* must have policies and procedures that specifically address the supervision and operation of *discretionary accounts* to provide reasonable assurance of compliance with *Corporation requirements*.
- (6) The *Investment Dealer Member* must identify *discretionary accounts* in its records to allow supervision of the *discretionary accounts* in accordance with *Corporation requirements*.

3971. Responsibility of Supervisors for discretionary accounts

- (1) The *Supervisors* are responsible for:

- (i) approving new *discretionary accounts* and the *discretionary account* agreement signed by the client, and
 - (ii) ensuring that the handling of *discretionary accounts* complies with *Corporation requirements*.
- (2) The *Supervisor* responsible for *discretionary accounts* must review the financial performance of each *discretionary account* at least monthly.
 - (3) As part of the review in subsection 3971(2), the *Supervisor* must also review *discretionary accounts* to determine if the *Registered Representative*, authorized to affect trades for the *discretionary account* should continue to do so, based on the *Supervisor's* assessment of the *discretionary account's* financial performance.
 - (4) The *Supervisor* responsible for *discretionary accounts* must not delegate the performance of the reviews required in subsections 3971(2) and 3971(3) to any other *person*.
 - (5) The *Supervisor* must review any discretionary order initiated in a *discretionary account* by a *Registered Representative* prior to the order being entered unless:
 - (i) the *Registered Representative* has been approved as a *Portfolio Manager*, or
 - (ii) the *Registered Representative* is also an *Executive*, and
 - (iii) the *Supervisor* reviews the order no later than one *business day* after the trade was made.
 - (6) The *Supervisor* must review any discretionary order initiated for a *discretionary account* by an *Executive* who is approved as a *Portfolio Manager*, no later than the day after the trade was made.
 - (7) The *Investment Dealer Member* must maintain a record of the relevant *Supervisor's* approvals in accordance with the record retention requirements in section 3803.

3972. Supervision of managed accounts

- (1) An *Investment Dealer Member* that has *managed accounts* must appoint a *Supervisor* to be responsible for the supervision of *managed accounts*,
- (2) The *Investment Dealer Member* must appoint one or more alternate *Supervisors* if necessary to ensure continuous supervision of each relevant managed activities.
- (3) An alternate *Supervisor* must assume all or part of the *Supervisor's* responsibilities if:
 - (i) the relevant *Supervisor* is absent or unable to carry out their duties, or
 - (ii) an activity requires additional qualified *individuals* to supervise the *Investment Dealer Member's managed account*-related activities.
- (4) The *Supervisors* must have the qualifications and experience required to supervise the relevant *Investment Dealer Member's managed account*-related activities.
- (5) The *Investment Dealer Member* must have policies and procedures that specifically address the supervision and operation of *managed accounts* to provide reasonable assurance of compliance with *Corporation requirements*.
- (6) The *Investment 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,
 - (ii) ensuring fairness in the allocation of investment opportunities among its *managed accounts*, and
 - (iii) the direct supervision of any *Associate Portfolio Manager* that provides discretionary management to *managed accounts*, including a prohibition on the *Associate Portfolio Manager* providing advice unless the advice has been approved by a *Portfolio Manager* at the *Investment Dealer Member* prior to the *Associate Portfolio Manager* providing the advice.
- (7) Supervision of the *Associate Portfolio Manager* must be conducted by:
- (i) a *Portfolio Manager* at the *Investment Dealer Member* or another *Investment Dealer Member* who is authorized to provide discretionary management to *managed accounts* and who is not in the period of close supervision, or
 - (ii) a *person* registered as an advisor under *securities laws* who has entered into a contract with the *Investment Dealer Member* to provide the supervision.
- (8) The *Investment Dealer Member* must identify *managed accounts* in its *records* to allow supervision of the *managed accounts* in accordance with *Corporation requirements*.

3973. Responsibility of Supervisors for managed accounts

- (1) The *Supervisors* are responsible for:
- (i) approving new *managed accounts* and the *managed account* agreement signed by the client, and
 - (ii) ensuring that the handling of *managed accounts* complies with *Corporation requirements*.
- (2) The *Investment Dealer Member* must maintain a record of the relevant *Supervisor's* approvals in accordance with the record retention requirements in section 3803.

3974. Managed account committee

- (1) An *Investment Dealer Member* that has *managed accounts* must establish a *managed account* committee that includes at least one *Supervisor* responsible for *managed accounts* and the *Chief Compliance Officer*. The committee must, at least annually:
- (i) review the *Investment Dealer Member's* policies and procedures dealing with the supervision of *managed accounts*, and
 - (ii) recommend to senior management appropriate actions necessary to achieve compliance with *Corporation requirements* and *securities laws*, applicable to *managed accounts*.

3975. Managed account review

- (1) In addition to *Corporation requirements* relating to account supervision, the *Supervisor* under subsection 3972(1) must review each *managed account* quarterly to provide reasonable assurance that:
- (i) the client's investment objectives are being pursued, and

- (ii) the handling of each of the *managed accounts* complies with *Corporation requirements*.
- (2) If the investment decisions for a *managed account* are made centrally and apply to a number of *managed accounts*, the quarterly review may be done at an aggregate level, subject to minor variations to allow for client directed investment restrictions and the timing of client cash flows into the *managed account*.

3976. – 3999. Reserved.

SERIES 8000 | PROCEDURAL RULES – ENFORCEMENT

RULE 8400 | RULES OF PRACTICE AND PROCEDURE

[...]

8402. Definitions

- (1) The following terms have the meaning set out when used in Rule 8400:

...	...
“regulatory decision” (<i>décision en matière de réglementation</i>)	A decision made under sections 9204, 9206, 9207, 9208 or 4136.
...	...

[...]

PART C – REVIEW PROCEEDINGS

8430. Regulatory review hearings

- (1) A party who requests a review of a *regulatory decision* must serve and *file*, within the time specified in *Corporation requirements* relating to the *regulatory decision* and:
- (i) in the case of a decision made under section 9204, 9206, 9207 or 9208, at least 14 days, and
 - (ii) in the case of a decision under section 4136, no more than the number of days specified in section 4136, prior to the date of the *hearing*, a notice of request for review and a review record.

[...]

SERIES 9000 | PROCEDURAL RULES – OTHER

RULE 9200 | APPROVALS AND REGULATORY SUPERVISION

9201. Introduction

- (1) Rule 9200 sets out the authority of the *Corporation* to approve *individuals* employed by or otherwise acting on behalf of *Dealer Members*, to grant exemptions from the *Corporation's* proficiency requirements, to grant extensions or exemptions from a continuing education requirement, to refuse an application, to impose terms and conditions on approvals and *Membership* in the *Corporation*, to suspend and revoke approvals, and rights to be heard and rights of review available to *parties* to such decisions.

9202. Definitions

- (1) The following terms have the meaning set out below when used in Rule 9200:

“application” (<i>demande</i>)	An application for approval or an exemption under Rule 9200, but does not include a request for a review of a decision on such an application under Rule 9300.
“Registration Staff” (<i>personnel de l’inscription</i>)	Registration staff of the <i>Corporation</i> .
“regulatory decision” (<i>décision en matière de réglementation</i>)	A decision made under sections 9204, 9206, 9207 or 9208.
“Senior Decision Officer” (<i>dirigeant responsable de la décision</i>)	A senior officer of the <i>Corporation</i> who has authority, following an offer of an opportunity to be heard, to render <i>regulatory decisions</i> .

9203. Requirements for regulatory decisions

- (1) Notice of a *regulatory decision* must be given to an applicant, *Dealer Member* or other *person* who is its subject.
- (2) The *Corporation* must not:
- (i) refuse an *application*,
 - (ii) impose terms and conditions on an approval, or
 - (iii) suspend or revoke an approval,
- unless the applicant, *Approved Person*, or *Dealer Member* has been given an opportunity to be heard by a *Senior Decision Officer*.
- (3) Written reasons, in the form of a letter, must be provided with notice of a *regulatory decision* that:
- (i) refuses an *application*,
 - (ii) imposes terms and conditions on an approval, or
 - (iii) suspends or revokes an approval.

- (4) A *regulatory decision* is effective on the date on which notice of the *regulatory decision* is provided to the *parties*, unless:
 - (i) the *regulatory decision* provides otherwise, in which case the *regulatory decision* is effective on the date so provided, or
 - (ii) unless the *regulatory decision* is stayed under subsection 9209(2) or by a *hearing panel*.

9204. Individual approval applications

- (1) An *individual* may make an *application* to the *Corporation* for approval as an *Approved Person*.
- (2) The *Corporation* must approve an *application* under subsection 9204(1), unless in its opinion:
 - (i) the applicant:
 - (a) does not comply with *Corporation requirements*,
 - (b) is likely not to comply with *Corporation requirements*, or
 - (c) does not comply with *securities laws* relating to or is not suitable for approval on the basis of training, experience, solvency or integrity, or
 - (ii) the approval is otherwise not in the public interest.
- (3) The *Corporation* may approve an *application* under subsection 9204(1), subject to any terms and conditions it considers appropriate.

9205. Membership approval applications

- (1) *Corporation* staff shall make a recommendation to the *Board* to decide upon an *application* for *Dealer Member Membership* in the *Corporation* made pursuant to section 3.5 of General By-Law No 1.
- (2) The *Board* shall have the power to decide upon an *application* for *Dealer Member Membership* in the *Corporation* made pursuant to section 3.5 of General By-Law No 1.
- (3) Prior to the *Board* making its decision, the applicant shall:
 - (i) be informed that it has an opportunity to be heard by the *Board* before the *Board* decides on the *application*,
 - (ii) be given a copy of *Corporation* staff's recommendation and informed in writing of the reasons for it,
 and
 - (iii) be given a written notice of the decision the *Board* intends to make and informed in writing of the reason for it, if the *Board* intends to not follow *Corporation* staff's recommendation.
- (4) A decision of the *Board* under subsection 9205(2) is a final decision for which no further review or appeal is provided under *Corporation requirements*.

9206. Exemption applications for proficiency and continuing education requirements

- (1) An *individual* or a *Dealer Member*, with respect to proficiency requirements applicable to its *Approved Persons*, may apply to the *Corporation* for an exemption from the proficiency

requirements under Rule 2600, or for an extension of or exemption from a continuing education requirement under Rule 2700.

- (2) On an *application* under subsection 9206(1), the *Corporation* may grant an exemption or extension in accordance with any standards in the relevant rule, subject to any terms and conditions it considers appropriate.

9207. Continued individual approval

- (1) The *Corporation* may, in its discretion, impose terms and conditions on the continued approval of an *Approved Person* to ensure continuing compliance with *Corporation requirements*.
- (2) The *Corporation* may suspend or revoke the approval of an *Approved Person*, if it appears to the *Corporation* that:
 - (i) the *Approved Person* is not suitable for approval by reason of integrity, solvency, training or experience,
 - (ii) the *Approved Person* has failed to comply with *Corporation requirements*, or
 - (iii) the approval is otherwise not in the public interest.

9208. Terms and conditions on Dealer Members' Membership

- (1) The *Corporation* may impose terms and conditions on a *Dealer Member's Membership* in the *Corporation*, where the *Corporation* considers it appropriate to ensure continuing compliance with *Corporation requirements*.

9209. Review Hearings

- (1) Within 30 days after the release of a *regulatory decision*, an applicant, *Approved Person*, *Dealer Member* or *Registration Staff*, respectively, may request a review of the *regulatory decision* by a *hearing panel* under Rule 9300.
- (2) A request for review by *Registration Staff* of a *regulatory decision* under section 9206 operates as a stay of the *decision*.

9210. – 9299. Reserved.

RULE 9300 | REGULATORY REVIEW PROCEEDINGS

9301. Introduction

- (1) Rule 9300 sets out the authority of *hearing panels* to review a *decision* under Rule 9200 or under section 4136.

9302. Definitions

- (1) The following term has the meaning set out below when used in Rule 9300:

“regulatory decision” <i>(décision en matière de réglementation)</i>	A decision made under sections 9204, 9206, 9207, 9208 or 4136.
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9303. Hearings and decisions

- (1) Section 8203 applies to a proceeding under Rule 9300, with modifications required by the context of this Rule 9300.
- (2) A decision of a *hearing panel* is effective on the date the decision is dated by the *Hearing Office*, unless the decision provides otherwise, in which case the decision is effective on the date so provided.

9304. Review proceedings

- (1) A request for review of a *regulatory decision* must be heard by a *hearing panel* in accordance with the *Rules of Procedure*.
- (2) After a *hearing* under this section, a *hearing panel* may:
- (i) affirm the *regulatory decision* under review,
 - (ii) quash the *regulatory decision*,
 - (iii) vary or remove any terms and conditions imposed by the *regulatory decision*,
 - (iv) prohibit, as applicable, a further application for approval under section 9204 by the applicant for a period of time it considers appropriate, or
 - (v) make any decision authorized by *Corporation requirements* under which the *regulatory decision* was made.

9305. Review by a securities regulatory authority

- (1) A *party* may apply to the *securities regulatory authority* in the applicable *District* for a review of a final decision of a *hearing panel* under Rule 9300.
- (2) A *person* who is entitled to request a review of a *regulatory decision* under section 9304 may not apply to a *securities regulatory authority* for review of the *regulatory decision*, unless the *person* has requested a review by a *hearing panel* and the *hearing panel* has made a final decision.
- (3) For purposes of subsection 9305(1), *Corporation* staff is directly affected by a decision in a proceeding in which *Corporation* staff is a *party*.

9306. – 9399. Reserved.

RULE 9400 | PROCEDURES FOR OPPORTUNITIES TO BE HEARD BEFORE SENIOR DECISION OFFICERS OR THE BOARD

9401. Introduction

- (1) These procedures apply where *Corporation requirements* require an opportunity to be heard before:
 - (i) a *Senior Decision Officer* who has the authority to make a decision concerning an *individual* or a *Dealer Member*, or
 - (ii) the *Board* concerning an application for *Dealer Member Membership* in the *Corporation*.
- (2) These procedures will be followed where, under statutory authority that has been delegated to the *Corporation*, the *Corporation* makes a registration decision for which an opportunity to be heard is required under *securities laws*.
- (3) Rule 9400 is divided into the following parts:
 - Part A - Opportunities to be heard by a Senior Decision Officer
[sections 9403 through 9410]
 - Part B - Opportunities to be heard by the Board
[sections 9411 through 9417]

9402. Definitions

- (1) The following terms have the meaning set out below when used in Rule 9400:

“Registration or Compliance Staff” (<i>personnel de l’inscription ou de la conformité</i>)	Refers to registration employees of the <i>Corporation</i> and employees of <i>Corporation</i> who conduct compliance examinations under Rule 9100.
“regulatory decision” (<i>décision en matière de réglementation</i>)	A decision made under sections 9204, 9206, 9207 or 9208.
“Senior Decision Officer” (<i>dirigeant responsable de la décision</i>)	A senior officer of the <i>Corporation</i> who has authority, following an offer of an opportunity to be heard, to render <i>regulatory decisions</i> .

PART A - OPPORTUNITIES TO BE HEARD BY A SENIOR DECISION OFFICER

9403. Opportunities to be heard by a Senior Decision Officer

- (1) The procedures in sections 9404 through 9410 apply where an applicant, *Approved Person* or *Dealer Member* requested an opportunity to be heard by a *Senior Decision Officer* pursuant to subsection 9203(2).
- (2) These procedures are intended to ensure that opportunities to be heard by a *Senior Decision Officer* are handled in a way that ensures a fair *hearing*, without being unnecessarily formal.

9404. Counsel

- (1) A party to a proceeding under Rule 9400 may be represented by counsel or an agent.
- (2) If an applicant, *Approved Person* or *Dealer Member* is represented by counsel or an agent, *Registration or Compliance Staff* will communicate with the applicant, *Approved Person* or *Dealer Member* through counsel or the agent.

9405. Corporation Staff Notice

- (1) When required to do so pursuant to subsection 9203(3), *Registration or Compliance Staff* must send a letter to the applicant, *Approved Person* or *Dealer Member*, giving notice of *Registration or Compliance Staff's* recommendation and reasons for it.

9406. Response of applicant, Approved Person or Dealer Member

- (1) In section 9406 a “response” means the applicant, *Approved Person* or *Dealer Member* must inform *Registration or Compliance Staff* in writing if an applicant, *Approved Person* or *Dealer Member* wishes to be heard before a *regulatory decision* is made on *Registration or Compliance Staff's* recommendation.
- (2) A response must be delivered within 10 *business days* after receipt of *Registration or Compliance Staff's* letter, or within such shorter period of time as set out in such letter.
- (3) If a response is not delivered within the time set out in *Registration or Compliance Staff's* letter, *Registration Staff* will send its recommendation to the *Senior Decision Officer* for consideration.

9407. Choice of written submissions or appearance

- (1) Unless otherwise decided by a *Senior Decision Officer*, an opportunity to be heard will be conducted as an exchange of written submissions. However, an applicant, *Approved Person*, *Dealer Member* or *Registration or Compliance Staff* may request that the opportunity to be heard be conducted as an appearance:
 - (i) in the presence of a *Senior Decision Officer*,
 - (ii) by telephone conference, or
 - (iii) by other interactive electronic means acceptable to both *parties*.
- (2) A request that an opportunity to be heard be conducted as an appearance must be made to the *Senior Decision Officer* in writing, with a brief statement of the reasons for making the request, and the other *party* will be given an opportunity to object to the request before the *Senior Decision Officer* decides whether to grant a request for an appearance.
- (3) A *Senior Decision Officer* may also decide on its own initiative that the opportunity to be heard will be conducted as an appearance, in which case the *Senior Decision Officer* must promptly inform the *parties* of its decision.

9408. Exchange of written submissions

- (1) This section describes the process to be followed if the opportunity to be heard is conducted by exchange of written submissions.
- (2) *Registration or Compliance Staff* must provide the applicant, *Approved Person* or *Dealer Member* with a written submission setting out the facts and law supporting *Registration*

Staff's recommendation. Registration or Compliance Staff's submission must be delivered to the applicant, Approved Person or Dealer Member within 10 business days after Registration or Compliance Staff receives the applicant's, Approved Person's or Dealer Member's response (as defined in section 9406).

- (3) An applicant, *Approved Person or Dealer Member* must then provide *Registration Staff* with a written submission responding to *Registration or Compliance Staff's* submission, to be delivered within 10 *business days* after the applicant, *Approved Person, or Dealer Member* receives *Registration or Compliance Staff's* submission.
- (4) Subject to agreement of the *parties* or a *decision* of the *Senior Decision Officer*, there will only be one exchange of written submissions so that the *Senior Decision Officer* may render a decision without unnecessary delay; however, where the *parties* agree to make further submissions or either of them requests that the *Senior Decision Officer* allow further submissions, such agreement or request must be made within five *business days* after delivery of the applicant's, *Approved Person's* or *Dealer Member's* submission under subsection 9408(3).
- (5) Unless an agreement or request is made under subsection 9408(4), *Registration or Compliance Staff's* and the applicant's, *Approved Person's* or *Dealer Member's* respective submission will be delivered by *Registration or Compliance Staff* to the *Senior Decision Officer* within five *business days* after the applicant's, *Approved Person's* or *Dealer Member's* submission is delivered.
- (6) If an agreement or request is made under subsection 9408(4), the submissions of all *parties* will be delivered by *Registration or Compliance Staff* to the *Senior Decision Officer* when all submissions have been delivered or the time for their delivery has elapsed.

9409. Appearance before a Senior Decision Officer

- (1) This section describes the process to be followed if the opportunity to be heard is conducted as an appearance.
- (2) An appearance before a *Senior Decision Officer* will generally be an informal proceeding, and the *Rules of Procedure* do not apply.
- (3) At an appearance:
 - (i) the *Senior Decision Officer* may ask any question and admit any evidence it thinks fit,
 - (ii) witnesses may be called, examined and cross-examined with the consent of the *Senior Decision Officer*, and
 - (iii) the applicant, *Approved Person or Dealer Member* and any witnesses may be required to give evidence under oath or affirmation.

9410. Decisions

- (1) Where an applicant, *Approved Person or Dealer Member* requests that an opportunity to be heard be conducted by exchange of written submissions, but fails to deliver submissions within the required time, the *Senior Decision Officer* may make its decision on *Registration or Compliance Staff's* recommendation and submissions without further notice or delay.

PART B - OPPORTUNITIES TO BE HEARD BY THE BOARD**9411. Opportunities to be heard by the Board**

- (1) The procedures in sections 9412 through 9417 apply where an applicant has requested an opportunity to be heard by the *Board* in relation to an *application* for *Dealer Member Membership* in the *Corporation* as set out in section 9205.
- (2) These procedures are intended to ensure that opportunities to be heard by the *Board* are handled in a way that ensures a fair *hearing*, without being unnecessarily formal.

9412. Corporation Staff Notice

- (1) When required to do so pursuant to clause 9205(3)(ii), *Corporation* staff must send a letter to the applicant, giving notice of *Corporation* staff's recommendation and brief reasons for it.
- (2) When required to do so pursuant to clause 9205(3)(iii), *Corporation* staff must send a letter to the applicant, giving notice of the *Board's* intended decision and brief reasons for it.

9413. Response of applicant, Approved Person or Dealer Member

- (1) In section 9413 a "response" means the applicant must inform *Corporation* staff in writing if an applicant wishes to be heard before a decision is made.
- (2) A *response* must be delivered within 10 *business days* after receipt of *Corporation* staff's letter, or within such shorter period of time as set out in such letter.
- (3) If a response is not delivered within the time set out in *Corporation* staff's letter, *Corporation* staff will send its recommendation to the *Board* for consideration.

9414. Choice of written submissions or appearance

- (1) An opportunity to be heard will be conducted as an exchange of written submissions, unless an applicant or *Corporation* staff requests that the opportunity to be heard be conducted as an appearance:
 - (i) in the presence of the *Board*,
 - (ii) by telephone conference, or
 - (iii) by other interactive electronic means acceptable to both *parties*.
- (2) A request that an opportunity to be heard be conducted as an appearance must be made to the *Board* in writing, with a brief statement of the reasons for making the request, by delivering a copy of the request to the *Corporation*. The other *party* will be given an opportunity to object to the request before the *Board* decides whether to grant a request for an appearance.
- (3) The *Board* may also decide on its own initiative that the opportunity to be heard will be conducted as an appearance, in which case the *Board* must promptly inform the *parties* of its decision.

9415. Exchange of written submissions

- (1) This section describes the process to be followed if the opportunity to be heard is conducted by exchange of written submissions.

- (2) *Corporation* staff must provide the applicant with a written submission setting out the facts and law supporting:
 - (i) *Corporation* staff's recommendation, pursuant to clause 9205(3)(ii) and;
 - (ii) the *Board*'s intended decision, if applicable pursuant to clause 9205(3)(iii).
 which submission must be delivered to the applicant within 10 *business days* after *Corporation* staff receives the applicant's *response* (as defined in section 9413).
- (3) An applicant must then provide *Corporation* staff with a written submission responding to staff's submission, to be delivered within 10 *business days* after the applicant receives *Corporation* staff's submission.
- (4) Subject to agreement of the *parties* or a decision of the *Board*:
 - (i) there will only be one exchange of written submissions so that the *Board* may render a decision without unnecessary delay, and
 - (ii) where the *parties* agree to make further submissions or either of them requests that the *Board* allow further submissions, such agreement or request must be made within five *business days* after delivery of the applicant's submission under subsection 9415(3).
- (5) Unless an agreement or request is made under subsection 9415(4), *Corporation* staff's and the applicant's respective submission will be provided to the *Board* within five *business days* after the applicant's submission is delivered.
- (6) If an agreement or request is made under subsection 9415(4), the submissions of all *parties* will be provided to the *Board* when all submissions have been delivered or the time for their delivery has elapsed.

9416. Appearance before the Board

- (1) This section describes the process to be followed if the opportunity to be heard is conducted as an appearance.
- (2) An appearance before the *Board* will generally be an informal proceeding, and the *Rules of Procedure* do not apply.
- (3) At an appearance:
 - (i) the *Board* may ask any question and admit any evidence it thinks fit,
 - (ii) witnesses may be called, examined and cross-examined with the consent of the *Board*, and
 - (iii) the applicant and any witnesses may be required to give evidence under oath or affirmation.

9417. Decisions

- (1) Where an applicant requests that an opportunity to be heard be conducted by exchange of written submissions, but fails to deliver submissions within the required time, the *Board* may make its decision on *Corporation* staff's recommendation and submissions, or its intended decision, as applicable pursuant to clause 9205(3), without further notice or delay.

9418. – 9499. Reserved.

SERIES 1000 | INTERPRETATION AND PRINCIPLES RULES

RULE 1100 | INTERPRETATION

[...]

1103. Delegation ~~by a Dealer Member~~ and automation

(1) If a *Corporation requirement* requires an *individual* at a *Dealer Member* to perform a function, ~~;~~

(i) that individual may delegate the tasks or activities involved in performing the function to another individual, or

(ii) the Dealer Member may automate tasks or activities that assist in the individual's performance of the function.

unless the *Corporation requirements* specifically prohibit such delegation or use of automation.

(2) An *individual* who delegates tasks or activities under clause 1103(1)(i) cannot delegate the responsibility for the proper performance of the function to which the tasks and activities relate.

(3) An individual for whom the Dealer Member automates tasks or activities under clause 1103(1)(ii) must:

(i) understand how the automated tasks and activities work, and

(ii) ensure proper performance of the related function.

(4) A Dealer Member that automates tasks or activities under clause 1103(1)(ii) must establish a system of supervision and compliance controls sufficient to provide reasonable assurance the automated tasks and activities and the function or functions to which these automated tasks and activities relate are properly performed.

[...]

RULE 1200 | DEFINITIONS

1201. Definitions

[...]

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

[...]

<p>“Approved Person” (<i>Personne autorisée</i>)</p>	<p>Means: <u>An individual who is:</u></p> <p>(i) for <i>Investment Dealer Members</i>, an individual approved by the <i>Corporation</i> under the Corporation requirements to carry out a function for an <i>Investment Dealer Member</i>, namely, the following <i>individuals</i>:</p> <p><i>Associate Portfolio Manager,</i> <i>Chief Compliance Officer,</i> <i>Chief Financial Officer,</i> <i>Director,</i> <i>Executive,</i> <i>Investment Representative,</i> <i>Portfolio Manager,</i> <i>Registered Representative,</i> <i>Supervisor,</i> <i>Trader, and</i> <i>Ultimate Designated Person</i></p> <p>or</p> <p>(ii) for <i>Mutual Fund Dealer Members</i>, an individual who is a partner, director, officer, compliance officer, branch manager, alternate branch manager, or employee of the <u>approved by the Corporation to carry out a function for a Mutual Fund Dealer Member</u> who, namely, the following individuals:</p> <p>(a) is registered or permitted, where required by applicable securities laws, by the securities commission having jurisdiction, or</p> <p>(b) submits to the jurisdiction of the Corporation.</p> <p><u><i>Chief Compliance Officer,</i></u> <u><i>Chief Financial Officer,</i></u> <u><i>Director,</i></u> <u><i>Executive,</i></u> <u><i>Registered Representative,</i></u> <u><i>Supervisor, and</i></u> <u><i>Ultimate Designated Person</i></u></p>
<p>...</p>	<p>...</p>
<p>“Chief Compliance Officer” (<i>Chef de la conformité</i>)</p>	<p>An <i>individual</i> <u>who is</u> approved by the <i>Corporation</i> to act as the chief compliance officer of an Investment Dealer Member.</p>

“Chief Financial Officer” (Chef des finances)	An <i>individual</i> <u>who is</u> approved by the <i>Corporation</i> to act as the chief financial officer of an <i>Investment</i> Dealer Member.
...	...
“Director” (Administrateur)	A <u>An individual who is a</u> member of an <i>Investment</i> Dealer Member’s board of directors or an individual performing <u>who fulfills</u> similar functions at an <i>Investment</i> Dealer Member that is not a corporation <u>and is approved by the Corporation to act as a Director</u> .
...	...
“Executive” (Membre de la haute direction)	An Investment Dealer Member’s partner, Director or officer <u>individual</u> who is involved in the Investment Dealer Member’s senior management <u>whose role relates to, or has impact on, matters regulated by the Corporation, and is approved by the Corporation to act as an Executive</u> , including anyone fulfilling <u>approved by</u> the role of chair or vice-chair of the board of directors, chief executive officer, president, chief administrative officer, chief operating officer or a person acting in a similar capacity who is head of operations, Chief Financial Officer, Chief Compliance Officer, Corporation to act as a Chief Compliance Officer, Chief Financial Officer, Ultimate Designated Person, member of an executive management committee or any other position that the Investment Dealer Member designates as an Executive position.
...	...
“investment <u>product</u> ” (<u>produit de placement</u>)	Any asset, excluding cash, held or transacted in a client account by the Dealer Member. <u>A product that:</u> <u>(i) is a security,</u> <u>(ii) is a derivative,</u> <u>(iii) is precious metals bullion, or</u> <u>(iv) has been approved by the Board as an investment product.</u>
...	...
“Registered Representative” (Représentant inscrit)	An <i>individual</i> , <u>who is:</u> <u>(i) approved by the Corporation, to trade, or advise on trades, in securities or derivatives with the public in Canada, on the <i>Investment Dealer Member’s</i> behalf, including where that individual deals only in mutual funds or only with institutional clients;</u> <u>or</u> <u>(ii) approved by the Corporation, to trade, or advise on trades, in mutual funds with the public in Canada, on the <i>Mutual Dealer Member’s</i> behalf.</u>
...	...
“Supervisor” (Surveillant)	An <i>individual</i> given responsibility and authority by an <i>Investment</i> Dealer Member, and approved by the <i>Corporation</i> , to manage the activities of the Investment Dealer Member or the Investment Dealer Member’s Approved Persons or employees

DEALER AND CONSOLIDATED RULES

	to provide reasonable assurance they comply with the <i>Corporation requirements and securities laws.</i>
...	...
“Ultimate Designated Person” (<i>Personne désignée désignée responsable</i>)	An <i>individual</i> <u>who is</u> approved by the <i>Corporation</i> to be responsible for the conduct of a designated <i>Investment Dealer Member</i> and the supervision of its <i>employees</i> and to perform the functions for an ultimate designated person described in the <i>Corporation requirements.</i>
...	...

[...]

RULE 1500 | MANAGING SIGNIFICANT AREAS OF RISK

1501. Introduction

- (1) As a key element of the *Corporation's* regulatory framework, the *Corporation* expects that, for every *significant area of risk* within a *Dealer Member*, an appropriate *Executive* be responsible for managing such area of risk.

1502. Responsibility for significant areas of risk

- (1) For each *significant area of risk* within a *Dealer Member*, the *Dealer Member* must assign responsibility to an appropriate *Executive*. For certain *significant areas of risk*, the *Corporation* has assigned the responsibility to a specific *Executive* as set out in the *Corporation requirements*.
- (2) The *Dealer Member* must document and maintain a list of *Executives* and the *significant areas of risk* each *Executive* is responsible for managing.
- (3) *Executives* are responsible for the review and approval of any policies and procedures relating to their *significant area of risk*.

1503. – 1999. Reserved.

SERIES 2000 | DEALER MEMBER ORGANIZATION AND INDIVIDUAL APPROVAL RULES

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

2501. Introduction

- (1) Rule 2500 sets out requirements for a *Dealer Member's Approved Persons*.
- (2) Rule 2500 is divided into the following parts:
 - Part A – Dealer Member Directors and Executives
[sections 2502 through 2507]
 - Part B – Approval of individuals
[sections 2550 through 2555]

PART A - DEALER MEMBER DIRECTORS AND EXECUTIVES

2502. General requirements for Directors

- (1) No *individual* may become a member of the board of directors of a *Dealer Member* unless that *individual* has been approved as a *Director* by the *Corporation*.
- (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 acceptable to the Corporation are prevented from ~~such active engagement~~doing so, or
 - (b) occupy a position equivalent to an *Executive* at the Dealer Member, or executive or a *Director* director at a related or *affiliated* firm registered with a securities regulatory authority, an *affiliated* foreign securities dealer or advisor, or an *affiliated* Canadian financial institution,
 - (ii) satisfy the ~~application~~applicable proficiency requirements of:
 - (a) in the case of Directors of Investment Dealer Members, clause 2602(3)(xxix), or
 - (b) in the case of Directors of Mutual Fund Dealer Members, clause 2602(3)(xxxvii).

and
 - (iii) have at least five years of experience in the financial services industry, or such lesser period as may be acceptable to the *Corporation*.
- (3) The ~~remaining Chair and Vice Chair of the board of Directors who do not meet subsection 2502(2) must, if actively engaged in the business of the~~ *Dealer Member or its related company, must* meet the requirements of ~~sub-clause 2502(2)(i)(b) and~~:
 - (i) in the case of Directors of Investment Dealer Members, clause ~~2502(2)~~2602(3)(xxix), or
 - (ii) in the case of Directors of Mutual Fund Dealer Members, clause 2602(3)(xxxvii).

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 acceptable to the Corporation are prevented from ~~such active engagement~~doing so, or
 - (b) occupy a position equivalent to an Executive or Director at a related or affiliated firm registered with a securities regulatory authority, affiliated foreign securities dealer or advisor, or an affiliated Canadian financial institution, and
 - (ii) satisfy the applicable proficiency requirements of:
 - (a) in the case of Executives of Investment Dealer Members, clause 2602(3)(xxviii),
or
 - (b) in the case of Executives of Mutual Fund Dealer Members, clause 2602(3)(xxxvi).
- (2) At least 60% of the Dealer Member's Executives must have at least five years of experience in the financial services industry, or such lesser period as may be acceptable to the Corporation.

2504. Exemption

- (1) The Corporation may grant an exemption from any requirement or part of a requirement in sections 2502 or 2503 if it is satisfied that it would not harm the interests of the Dealer Member, its clients, the public or the Corporation. The exemption may be on any terms and conditions that the Corporation considers appropriate.

2505. Chief Financial Officer

- (1) A Dealer Member must designate a Chief Financial Officer who must:
- (i) be designated as an Executive and meet the general requirements for Executives set out in section 2503, and
 - (ii) satisfy the applicable proficiency requirements of:
 - (a) in the case of Chief Financial Officers of Investment Dealer Members, clause 2602(3)(xxx), or
 - (b) in the case of Chief Financial Officers of Mutual Fund Dealer Members, clause 2602(3)(~~xxx~~xxxviii).
- (2) The Chief Financial Officer need not be actively engaged in the business of the Dealer Member on a full-time basis if appropriate for the Dealer Member's business.
- (3) When a Chief Financial Officer ceases to be approved in the applicable category, the Dealer Member must either immediately:
- (i) designate a qualified individual as Chief Financial Officer, or

- (ii) with the Corporation's prior approval, designate an Executive as acting Chief Financial Officer.
- (4) When an acting Chief Financial Officer is designated:
 - (i) that individual must satisfy the applicable proficiency requirements of:
 - (a) in the case of acting Chief Financial Officers of Investment Dealer Members, clause 2602(3)(xxx), or
 - (b) in the case of acting Chief Financial Officers of Mutual Fund Dealer Members, clause 2602(3)(xxxviii),
 and be designated as Chief Financial Officer, or
 - (ii) the Dealer Member must designate another qualified individual as Chief Financial Officer,
 - within 90 days of the previous Chief Financial Officer's cessation date.
- (5) Any Dealer Member that fails to have a qualified Chief Financial Officer within 90 days of the cessation date of the previous Chief Financial Officer, or such other dates as the Corporation may specify, will be liable for and pay to the Corporation such fees as the Board may prescribe from time to time.

2506. Chief Compliance Officer

- (1) A Dealer Member must designate a Chief Compliance Officer who must:
 - (i) be designated as an Executive and meet the general requirements for Executives set out in section 2503, and
 - (ii) satisfy the applicable proficiency ~~and experience~~ requirements ~~set out of~~:
 - (a) in the case of Chief Compliance Officers of Investment Dealer Members, clause 2602(3)(xxxi), or
 - (b) in the case of Chief Compliance Officers of Mutual Fund Dealer Members, 2602(3)(xxxix).
- (2) The Chief Compliance Officer of a Dealer Member may be the Ultimate Designated Person, if ~~approved by the Dealer Member has obtained the prior approval of~~ the Corporation and the applicable securities regulatory authorities.
- (3) A Dealer Member may designate additional Chief Compliance Officers to be responsible for separate business units of the Dealer Member, if the Dealer Member has obtained the prior approval of the Corporation and ~~any other~~ the applicable securities regulatory ~~authority~~ authorities.
- (4) When a Chief Compliance Officer ceases to be approved in the applicable category, the Dealer Member must either immediately:
 - (i) designate a qualified individual as Chief Compliance Officer, or
 - (ii) in the case of an Investment Dealer Member, with the Corporation's prior approval, designate an Executive as acting Chief Compliance Officer.
- (5) When an acting Chief Compliance Officer is designated at a Dealer Member:

- (i) ~~the~~that *individual* must satisfy the applicable proficiency requirements of:
- (a) in the case of acting Chief Compliance Officers of Investment Dealer Members,
clause 2602(3)(xxxix)
- (b) in the case of acting Chief Compliance Officer of Mutual Fund Dealer Members,
clause 2602(3)(xxxix)
- and be designated as *Chief Compliance Officer*, or
- (ii) the *Dealer Member* must designate another qualified *individual* as *Chief Compliance Officer*,
- within 90 days of the previous *Chief Compliance Officer's* cessation date.
- (6) Any *Dealer Member* that fails to have a qualified *Chief Compliance Officer* within 90 days of the cessation date of the previous *Chief Compliance Officer*, or such other dates as the *Corporation* may specify, will be liable for and pay to the *Corporation* such fees as the *Board* may prescribe from time to time.

2507. Ultimate Designated Person

- (1) A *Dealer Member* must designate an *Ultimate Designated Person* who must be designated as an *Executive* and meet the general requirements for *Executives* set out in section 2503.
- (2) The *Ultimate Designated Person* must be:
- (i) the chief executive officer of the *Dealer Member* or, an *Executive* acting in a capacity similar to a chief executive officer, provided it is acceptable to the *Corporation*, and applicable relief is granted under the applicable National Instrument,
- (ii) the sole proprietor of the *Dealer Member*, or
- (iii) the *Executive* in charge of a division of the *Dealer Member*, if the activity that requires the *Dealer Member* to register occurs only within the division and the *Dealer Member* has significant other business activities.
- (3) A *Dealer Member* may designate additional *Ultimate Designated Persons* to be responsible for separate business units, ~~with~~if the *Dealer Member* has obtained the prior approval of the *Corporation* and ~~any other~~the applicable securities regulatory ~~authority~~authorities.
- (4) If an *individual* who is approved as a *Dealer Member's* *Ultimate Designated Person* ceases to meet any of the conditions listed in subsections 2507(1) and 2507(2), the *Dealer Member* must immediately designate another qualified *Executive* to act as its *Ultimate Designated Person* or if unable to do so, promptly notify the *Corporation* of its plan to designate another qualified *Executive* as its *Ultimate Designated Person*.

2508. – 2549. Reserved.

PART B - APPROVAL OF INDIVIDUALS

2550. Introduction

- (1) Part B of Rule 2500 sets out the approval criteria for *Approved Persons*.
- (2) Part B of Rule 2500 requirements are complementary to section 9204, which discuss *individual* approval applications.

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 exempt from such registration) 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 exempt from such registration) 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 [an individual seeking approval as:](#)
 - (a) ~~a Registered Representative~~ dealing in mutual funds only ~~who is~~ an ~~employee of a firm~~ Investment Dealer Member that is 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 with the applicable securities regulatory authorities, or
 - (b) a Chief Compliance Officer, an Ultimate Designated Person, and/or a Registered Representative, all at a Mutual Fund Dealer Member, such approval will be automatic upon the individual's registration as a chief compliance officer, ultimate designated person and/or Mutual Fund Dealer – Dealing Representative, respectively, with the applicable securities regulatory authorities.
- (2) Only a *Dealer Member's* director, partner, *officer* or *employee* can be an *Approved Person*.
- (3) A *Dealer Member* must ensure that each *Approved Person* at the *Dealer Member* complies with *Corporation requirements* applicable to that *individual's* *Approved Person* category.
- (4) All *Approved Persons* are subject to *Corporation* jurisdiction and must comply with *Corporation requirements*.
- (5) A *Dealer Member* must ensure that, when dealing with the public, its *Approved Persons* use titles and designations that accurately indicate:
 - (i) the type of business that they have been approved by the *Corporation* to conduct, and
 - (ii) the role that they carry out or has been approved by the *Corporation* to carry out.
- (6) If an *Approved Person* ceases to be approved, the former *Approved Person* must immediately cease any activity requiring *Corporation* approval.
- (7) Except as set out in subsection ~~2551(82302(3))~~, an *Approved Person of a Dealer Member* must not accept, nor allow an *associate* to accept, directly or indirectly, any *remuneration*, gratuity, benefit or other consideration from any *person* other than the *Dealer Member*, its

related companies, or affiliates for any Dealer Member related activities carried out by the Approved Person.

~~(8) — Where an individual:~~

~~(i) — is approved as a Registered Representative dealing in mutual funds only pursuant to clause 2602(3)(vii), and~~

~~(ii) — acts as an agent of a Dealer Member in compliance with the requirements set out in Rule 2300,~~

~~any remuneration, gratuity, benefit or other consideration in respect of business conducted by the individual on behalf of the Dealer Member may be paid by the Dealer Member to a corporation that is not registered under securities laws provided:~~

~~(iii) — the arrangement is not prohibited or otherwise limited by the relevant securities laws or securities regulatory authorities,~~

~~(iv) — the corporation is incorporated under the laws of Canada or a province or territory of Canada, and~~

~~(v) — the individual, Dealer Member and the unregistered corporation have entered into a written agreement, in a form prescribed by the Corporation, the terms of which provide that:~~

~~(a) — the individual and Dealer Member have the same:~~

~~(i) — obligations to comply with applicable Corporation requirements and securities laws, and~~

~~(ii) — liabilities to third parties, including clients irrespective of the method by which any remuneration, gratuity, benefit or other consideration is disbursed;~~

~~(b) — the Dealer Member shall engage in appropriate supervision with respect to the conduct of the individual and the unregistered corporation to ensure compliance with the requirements in sub-clause 2551(8)(v)(a) and all other applicable Corporation requirements, and~~

~~(c) — the individual and the unregistered corporation shall provide the Dealer Member, the Corporation and the applicable securities regulatory authorities with access to all books and records maintained by or on behalf of either of them for the purpose of ensuring compliance with the Corporation requirements and securities laws.~~

~~(9) — Subsection 2551(8) does not apply in respect of any remuneration, gratuity, benefit or other consideration derived from a client in Alberta.~~

2552. Compliance with the proficiency requirements or other conditions

(1) Each Approved Person who is registered under securities laws must have satisfied any applicable proficiency and other registration requirements set out in the applicable securities laws and established by the securities regulatory authorities having jurisdiction.

(2) Each Dealer Member's Approved Person must:

- (i) meet the applicable proficiency requirements set out in Rule 2600 before *Corporation* approval is granted, and
 - (ii) complete the applicable post-approval proficiency requirements ~~of subsection 2602(3)~~ set out in Rule 2600 after receiving *Corporation* approval.
- (23) The *Corporation* will automatically suspend an *Approved Person* if they do not complete the ~~applicable~~ post-approval proficiency requirements in the applicable *Approved Persons* category ~~as~~ set out in Rule 2600.
- (34) The *Corporation* will reinstate an *Approved Person* who has been suspended pursuant to subsection 2552(3) once they have completed the required post-approval proficiency requirements and the *Corporation* has been notified.
- (45) A *Dealer Member* must file a report specified by the *Corporation* on the conditions imposed on an *Approved Person* under Rule 8200 or Rule 9200 within 10 *business days* of the end of each month.
- (56) If a *Dealer Member* does not file the report specified in subsection ~~2552(4)~~ 2552(5) or files the report late, it must pay the *Corporation* the applicable late filing fee.

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

- (1) A *Portfolio Manager* and *Associate Portfolio Manager* is also permitted to conduct activities carried on by a *Registered Representative* in accordance with *Corporation* requirements applicable to *Registered Representatives*.
- (2) An *Associate Portfolio Manager* must not advise on *securities* unless, before giving the advice, the advice has been pre-approved by a *Portfolio Manager*.
- (3) A *Registered Representative*, *Investment Representative*, *Portfolio Manager* or *Associate Portfolio Manager* may not conduct on behalf of ~~an~~ *Investment Dealer Member*, and ~~an~~ *Investment Dealer Member* may not permit ~~the~~ *an Approved Person* to ~~conduct~~, on its behalf, deal with the types of clients set out in clauses 2553(3)(i) through 2553(3)(iii) and conduct the type of business ~~as~~ set out in clause 2553(3)(iv) ~~and deal with a type of customer as set out in clauses 2553(3)(i) and (ii)~~, unless the *Investment Dealer Member* complies with the following:
 - (i) The *Investment Dealer Member* must notify the *Corporation*, and seek the *Corporation's* prior approval on whether the *Registered Representative*, *Investment Representative*, *Portfolio Manager* or *Associate Portfolio Manager* will deal with either *retail clients* or *institutional clients*.
 - (ii) A *Registered Representative* dealing with:
 - (a) *retail clients*, may take orders from, or give advice to, all types of clients, or
 - (b) *institutional clients*, may take orders from, or give advice to, *institutional clients* only.
 - (iii) An *Investment Representative* dealing with:
 - (a) *retail clients*, may take orders from all types of clients, or
 - (b) *institutional clients*, may take orders from *institutional clients* only.

- (iv) The Investment 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 derivatives,
 - (c) futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives, 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.
- ~~(4) An individual applying for approval as a Registered Representative or Investment Representative dealing only in mutual funds must comply with the applicable proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) or 2602(3)(xiii).~~
- ~~(5) The post-approval proficiency requirements in clauses 2602(3)(vi) or 2602(3)(xiii) do not apply to a Registered Representative or an Investment Representative Dealer Member's Registered Representative or Investment Representative approved prior to September 28, 2009 and registered in provinces or territories which allowed the individual to be restricted to only mutual funds, provided they remain in the same restricted category of approval in the same provinces/territories.~~
- ~~(6) The approval of an individual qualified to deal only in mutual funds is automatically suspended if the individual fails to satisfy the post-approval requirements in clauses 2602(3)(vi) or 2602(3)(xiii) in accordance with subsections 2552(2) and 2552(3).~~

2554. The Approved Person's activities outside of the Dealer Member

- (1) An *Approved Person* may have, and continue in, an activity outside of the *Dealer Member*, if the outside activity:
 - (i) is not contrary to *securities laws* or *Corporation requirements*, and
 - (ii) does not bring the securities industry into disrepute.
- (2) An *Approved Person* may have, and continue in, an outside activity, if:
 - (i) the *Approved Person* informs the *Dealer Member* of the outside activity,
 - (ii) the *Approved Person* obtains the *Dealer Member's* prior approval to engage in the outside activity,
 - (iii) the *Dealer Member's* policies and procedures specifically address:
 - (a) continuous service to clients, and
 - (b) potential conflicts of interest,

and,

- (iv) the *Dealer Member* notifies the *Corporation* of the outside activity within the time period and manner required by National Instrument 33-109.
- (3) An *individual* must not act, and a *Dealer Member* must not permit an *individual* to act, as a *Registered Representative, Investment Representative, Portfolio Manager, Associate Portfolio Manager or Trader* in a manner that is contrary to section 4.1 of National Instrument 31-103, unless an exemption is granted by the applicable *securities regulatory authority* and such similar exemption request is also filed with and approved by the *Corporation*.

2555. Approval of investors

- (1) Any investor who owns or holds a *beneficial ownership* interest in a *significant equity interest* in the *Dealer Member* or special warrants or other securities that are convertible into a *significant equity interest* in the *Dealer Member* must:
 - (i) be approved by the *Corporation*, and
 - (ii) if applicable, meet the proficiency requirements of subsections 2555(2) and 2555(3).
- (2) A *Dealer Member's Director* who, directly or indirectly, owns or controls a voting interest of a *Dealer Member* of 10% or more must satisfy the proficiency requirements of clause 2602(3)(~~xxxii~~xxxiii).
- (3) Any *individual*, other than a *Dealer Member's Director*, who:
 - ~~(i)~~ is actively engaged in the business of the *Dealer Member*, and
 - ~~(ii)~~ directly or indirectly owns or controls a voting interest in a *Dealer Member* of 10% or more, must satisfy the proficiency requirements of ~~clause 2602(3)(xxxii) applicable to:~~
 - (i) in the case of approved investors of Investment Dealer Members, clause 2602(3)(xxxiii), or
 - (ii) in the case of approved investors of Mutual Fund Dealer Members, clause 2602(3)(xli).

2556. – 2599. Reserved.

RULE 2600 | PROFICIENCY REQUIREMENTS AND EXEMPTIONS FROM PROFICIENCIES

2601. Introduction

- (1) Rule 2600 sets out the minimum proficiency requirements for *individuals* requiring *Corporation* approval. The requirements are designed to ensure that *Approved Persons* are qualified to perform their job functions competently in order to meet their regulatory obligations and that a *Dealer Member's* business is conducted with integrity.
- (2) Rule 2600 is divided into the following parts:
 - Part A – Proficiency requirements
[sections 2602 and 2603]
 - Part B – Exemptions from proficiency requirements
[sections 2625 through 2628]
 - Part C – Transition provisions
[sections 2630 ~~and 2631~~]

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 provided in accordance with section 1407, 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 applicable proficiency requirements ~~set out~~prescribed below ~~for that category~~before the Corporation will grant approval, 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.

<u>Investment Dealer Member Approved Person Categories</u>
<u>Investment Dealer Member</u> Registered Representative and Investment Representative <u>Representatives</u>
<ul style="list-style-type: none"> • <i>Registered Representative</i> dealing with <i>retail clients</i> (other than a <i>Registered Representative</i> dealing in <i>derivatives</i> or only in mutual funds)

<ul style="list-style-type: none"> Registered Representative dealing with <i>institutional clients</i> (other than a Registered Representative dealing in <i>derivatives</i> or only in mutual funds)
<ul style="list-style-type: none"> Registered Representative dealing in options or similar <i>derivatives</i> with <i>retail clients</i>
<ul style="list-style-type: none"> Registered Representative dealing in options or similar <i>derivatives</i> with <i>institutional clients</i>
<ul style="list-style-type: none"> Registered Representative dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> with <i>retail</i> or <i>institutional clients</i>
<ul style="list-style-type: none"> Registered Representative 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
<ul style="list-style-type: none"> Registered Representative 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
<p><u>Investment Dealer Member Investment Representatives</u></p>
<ul style="list-style-type: none"> Investment Representative dealing with <i>retail clients</i> (other than an Investment Representative dealing in <i>derivatives</i> or only in mutual funds)
<ul style="list-style-type: none"> Investment Representative dealing with <i>institutional clients</i> (other than an Investment Representative dealing in <i>derivatives</i> or only in mutual funds)
<ul style="list-style-type: none"> Investment Representative dealing in options or similar <i>derivatives</i> with <i>retail clients</i>
<ul style="list-style-type: none"> Investment Representative dealing in options or similar <i>derivatives</i> with <i>institutional clients</i>
<ul style="list-style-type: none"> Investment Representative dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> with <i>retail</i> or <i>institutional clients</i>
<ul style="list-style-type: none"> Investment Representative 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><u>Investment Dealer Member Associate Portfolio ManagerManagers and Portfolio ManagerManagers</u></p>
<ul style="list-style-type: none"> Associate Portfolio Manager providing discretionary portfolio management for <i>managed accounts</i>
<ul style="list-style-type: none"> Portfolio Manager providing discretionary portfolio management for <i>managed accounts</i>
<p><u>Investment Dealer Members TraderTraders</u></p>
<ul style="list-style-type: none"> Trader
<ul style="list-style-type: none"> Trader on the Montréal Exchange
<p><u>Supervisor – Retail or Institutional Investment Dealer Member Supervisors</u></p>
<ul style="list-style-type: none"> Supervisor of Registered Representatives or Investment Representatives (other than supervising<u>except those dealing with clients in derivatives</u>)
<ul style="list-style-type: none"> Supervisor of Registered Representatives or Investment Representatives dealing with clients in <i>options</i> or similar <i>derivatives</i>
<ul style="list-style-type: none"> Supervisor of Registered Representatives or Investment Representatives dealing with clients in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i>
<p><u>Designated Supervisor</u></p>
<ul style="list-style-type: none"> Supervisor designated to be responsible for the opening of new accounts and supervision of account activity
<ul style="list-style-type: none"> Supervisor designated to be responsible for the supervision of <i>discretionary accounts</i>

<ul style="list-style-type: none"> • Supervisor designated to be responsible for the supervision of <i>managed accounts</i>
<ul style="list-style-type: none"> • Supervisor designated to be responsible for the supervision of option and similar <i>derivative accounts</i>
<ul style="list-style-type: none"> • Supervisor designated to be responsible for the supervision of futures contract, forward contract, contracts<u>contract</u> for difference, futures contract option and similar <i>derivative accounts</i>
<ul style="list-style-type: none"> • Supervisor designated to be responsible for the pre-approval of advertising<u>advertisements</u>, sales literature<u>communications</u> and correspondence<u>client communications</u>
<ul style="list-style-type: none"> • Supervisor designated to be responsible for the supervision of <i>research reports</i>
<p>Executive and Director <u>Investment Dealer Member Executives and Directors</u></p>
<ul style="list-style-type: none"> • Executive (including Ultimate Designated Person)
<ul style="list-style-type: none"> • Director (where required in section 2502)
<ul style="list-style-type: none"> • Chief Financial Officer
<ul style="list-style-type: none"> • Chief Compliance Officer
<ul style="list-style-type: none"> • Ultimate Designated Person
<p><u>Investment Dealer Member Approved investor</u> investors</p>
<ul style="list-style-type: none"> • Approved investor
<p><u>Mutual Fund Dealer Member Approved Person Categories</u></p>
<p><u>Mutual Fund Dealer Registered Representatives</u></p>
<ul style="list-style-type: none"> • Registered Representatives dealing in mutual funds only
<p><u>Mutual Fund Dealer Member Supervisors</u></p>
<ul style="list-style-type: none"> • Supervisor
<p><u>Mutual Fund Dealer Member Executives and Directors</u></p>
<ul style="list-style-type: none"> • Executive
<ul style="list-style-type: none"> • Director (where required in section 2502)
<ul style="list-style-type: none"> • Chief Financial Officer
<ul style="list-style-type: none"> • Chief Compliance Officer
<ul style="list-style-type: none"> • Ultimate Designated Person
<p><u>Mutual Fund Dealer Member Approved investors</u></p>
<ul style="list-style-type: none"> • Approved investor

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<u>Investment Dealer Member Approved Person Categories</u>			
<u>Investment Dealer Member Registered Representative and Investment Representative</u> Representatives			

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<p>(i) <i>Registered Representative dealing with retail clients (other than a Registered Representative dealing in derivatives or only in mutual funds)</i></p>	<p>(a) (I) Either: (A) Canadian Securities Course, or, (B) Level I or higher of the CFA Program administered by the CFA Institute, (II) Conduct and Practices Handbook Course, and (III) 90-day training program after completion of the requirements in paragraph 2602(3)(i)(a)(I), or, (b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years before requesting approval, New Entrants Course.</p>	<p>(c) Completion of Wealth Management Essentials Course within 30 months after initial approval date as a <i>Registered Representative</i> in accordance with subsection 2552(2).</p>	<p>(d) Six months of supervision from initial approval date in accordance with section 3947.</p>
<p>(ii) <i>Registered Representative dealing with institutional clients (other than a Registered Representative dealing in derivatives or only in mutual funds)</i></p>	<p>(a) (I) Either: (A) Canadian Securities Course, or, (B) Level I or higher of the CFA Program administered by the CFA Institute, and, (II) Conduct and Practices Handbook Course, or, (b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years before requesting approval, New Entrants Course.</p>		
<p>(iii) <i>Registered Representative</i></p>	<p>(a) (I) Requirements in sub-clause 2602(3)(i)(a),</p>	<p>(c) Requirements in sub-clause 2602(3)(i)(c).</p>	<p>(d) Six months of supervision</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<p>dealing in options or similar <i>derivatives</i> with <i>retail clients</i></p>	<p>and,</p> <p>(II) Either:</p> <p>(A) Derivatives Fundamentals Course and the Options Licensing Course,</p> <p>or,</p> <p>(B) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p> <p>(b) If previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivatives</i> within three years before requesting approval:</p> <p>(I) New Entrants Course,</p> <p>(II) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority,</p> <p>and,</p> <p>(III) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		<p>from initial approval date in accordance with section 3947.</p>
<p>(iv) <i>Registered Representative</i> dealing in options or similar <i>derivatives</i> with <i>institutional clients</i></p>	<p>(a) (I) Requirements in sub-clause 2602(3)(ii)(a), and,</p> <p>(II) Either:</p> <p>(A) Derivatives Fundamentals Course and the Options Licensing Course,</p> <p>or,</p> <p>(B) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p>		

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>(b) If previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivatives</i> within three years before requesting approval:</p> <ul style="list-style-type: none"> (I) New Entrants Course, (II) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority, <p>and,</p> <ul style="list-style-type: none"> (III) Series 7 Exam administered by the Financial Industry Regulatory Authority. 		
<p>(v) <i>Registered Representative</i> dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> with <i>retail clients</i> or <i>institutional clients</i></p>	<ul style="list-style-type: none"> (a) Futures Licensing Course, (b) Conduct and Practices Handbook Course, <p>and,</p> <ul style="list-style-type: none"> (c) Any of the following: <ul style="list-style-type: none"> (I) Derivatives Fundamentals Course, (II) Derivatives Fundamentals and Options Licensing Course, <p>or,</p> <ul style="list-style-type: none"> (III) If previously registered with the National Futures Association in a similar capacity and dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> within three years before requesting approval, Series 3 Exam administered by the Financial Industry Regulatory Authority (on 		<p>(d) Six months of supervision from initial approval date for those dealing with <i>retail clients</i> in accordance with section 3947.</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	behalf of the National Futures Association).		
(vi) <i>Registered Representative</i> dealing only in mutual funds who is an <i>employee</i> of a firm registered as an investment dealer and not registered as a mutual fund dealer	(a) (I) Any of the following: (A) Requirements in sub-paragraph 2602(3)(i)(a)(I)(A), (B) Canadian Investment Funds Course administered by the Investment Funds Institute of Canada, or, (C) Investment Funds in Canada Course.	(b) (I) Completion of the requirements in sub-paragraph 2602(3)(i)(a)(I)(A) and paragraph 2602(3)(i)(a)(II) within 270 days after initial approval date, and, (II) Completion of the 90-day training program within 18 months after initial approval date in accordance with 2553(6).	(c) The <i>individual</i> must upgrade to <i>Registered Representative</i> within 18 months of initial approval, and (d) Six months of supervision from initial approval date in accordance with section 3947.
(vii) <i>Registered Representative</i> dealing only in mutual funds who is an <i>employee</i> of a firm registered as both an investment dealer and a mutual fund dealer	(a) (I) Any of the following: (A) Requirements in sub-paragraph 2602(3)(i)(a)(I)(A), (B) Canadian Investment Funds Course administered by the Investment Funds Institute of Canada, or, (C) Investment Funds in Canada Course.	(b) Completion of the 90-day training program within 90 days after initial approval in accordance with 2553(6).	(c) Six months of supervision from initial approval date in accordance with section 3947.
<u>Investment Dealer Member Investment Representatives</u>			
(viii) <i>Investment Representative</i> dealing with <i>retail clients</i> (other than an <i>Investment Representative</i> dealing in <i>derivatives</i> or only in mutual funds)	(a) (I) Either: (A) Canadian Securities Course, or, (B) Level I or higher of the CFA Program administered by the CFA Institute, (II) Conduct and Practices Handbook Course, and,		(c) Six months of supervision from initial approval date in accordance with section 3947.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>(III) 30-day training program after completing the requirements in paragraph 2602(3)(viii)(a)(I),</p> <p>or,</p> <p>(b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years before requesting approval, New Entrants Course.</p>		
(ix) <i>Investment Representative dealing with institutional clients (other than an Investment Representative dealing in derivatives or dealing only in mutual funds)</i>	<p>(a) (I) Either:</p> <p>(A) Canadian Securities Course,</p> <p>or,</p> <p>(B) Level I or higher of the CFA Program administered by the CFA Institute,</p> <p>and,</p> <p>(II) Conduct and Practices Handbook Course,</p> <p>or,</p> <p>(b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years before requesting approval, New Entrants Course.</p>		
(x) <i>Investment Representative dealing in options or similar derivatives with retail clients</i>	<p>(a) (I) Requirements in sub-clause 2602(3)(viii)(a), and,</p> <p>(II) Either:</p> <p>(A) Derivatives Fundamentals Course and the Options Licensing Course,</p> <p>or,</p> <p>(B) Derivatives Fundamentals and Options Licensing Course,</p>		(c) Six months of supervision from initial approval date in accordance with section 3947.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>or,</p> <p>(b) If previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivatives</i> within three years before requesting approval:</p> <p>(I) New Entrants Course,</p> <p>(II) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority,</p> <p>and,</p> <p>(III) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		
<p>(xi) <i>Investment Representative</i> dealing in options or similar <i>derivatives</i> with <i>institutional clients</i></p>	<p>(a) (I) Requirements in sub-clause 2602(3)(ix)(a), and,</p> <p>(II) Either:</p> <p>(A) Derivatives Fundamentals Course and the Options Licensing Course,</p> <p>or,</p> <p>(B) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p> <p>(b) If previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivatives</i> within three years before requesting approval:</p> <p>(I) New Entrants Course,</p> <p>(II) Securities Industry Essentials Exam</p>		

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>administered by the Financial Industry Regulatory Authority, and</p> <p>(III) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		
<p>(xii) <i>Investment Representative</i> dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> with <i>retail clients</i> or <i>institutional clients</i></p>	<p>(a) Futures Licensing Course,</p> <p>(b) Conduct and Practices Handbook Course,</p> <p>and,</p> <p>(c) Any of the following:</p> <p>(I) Derivatives Fundamentals Course,</p> <p>(II) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p> <p>(III) if previously registered with the National Futures Association in a similar capacity and dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> within three years before requesting approval, Series 3 Exam administered by the Financial Industry Regulatory Authority (on behalf of the National Future Association).</p>		<p>(d) Six months of supervision from initial approval date for those dealing with retail clients in accordance with section 3947.</p>
<p>(xiii) <i>Investment Representative</i> dealing only in mutual funds who is an <i>employee</i> of a firm registered as an investment</p>	<p>(a) Any of the following:</p> <p>(I) Requirements in subparagraph 2602(3)(viii)(a)(I)(A),</p> <p>(II) Canadian Investment Funds Course administered by the Investment Funds Institute of Canada,</p> <p>or,</p>	<p>(b) (I) Completion of the requirements in subparagraph 2602(3)(viii)(a)(I)(A) and paragraph 2602(3)(viii)(a)(II) within 270 days after initial approval date,</p> <p>and,</p>	<p>(c) The <i>individual</i> must upgrade to <i>Investment Representative</i> within 18 months of initial approval, and</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
dealer and not registered as a mutual fund dealer	(III) Investment Funds in Canada Course.	(II) Completion of the 30-day training program within 18 months after initial approval date in accordance with 2553(6).	(d) Six months of supervision from initial approval date in accordance with section 3947.
<u>Investment Dealer Member Associate Portfolio ManagerManagers and Portfolio ManagerManagers</u>			
(xiv) <i>Associate Portfolio Manager providing discretionary portfolio management for managed accounts</i>	<p>(a) (I) Conduct and Practices Handbook Course, and</p> <p>(II) Any of the following:</p> <p>(A) Canadian Investment Manager Designation,</p> <p>(B) Chartered Investment Manager Designation,</p> <p>or,</p> <p>(C) CFA Level I or higher of the CFA Program administered by the CFA Institute,</p> <p>or,</p> <p>(b) If managing options or similar <i>derivative</i> accounts:</p> <p>(I) Requirements in sub-clause 2602(3)(xiv)(a),</p> <p>and,</p> <p>(II) Either:</p> <p>(A) Requirements in paragraph 2602(3)(iii)(a)(II),</p> <p>or,</p> <p>(B) Requirements in sub-clause 2602(3)(iii)(b),</p> <p>or,</p> <p>(c) If managing futures contract, forward contract, contracts for difference, futures contract option or similar <i>derivative</i> accounts:</p>		(d) Two years of relevant investment management experience acceptable to the <i>Corporation</i> within three years before requesting approval.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	(I) Requirements in sub-clause 2602(3)(xiv)(a), (II) Requirements in sub-clause 2602(3)(v)(a), and, (III) Requirements in sub-clause 2602(3)(v)(c).		
(xv) <i>Portfolio Manager providing discretionary portfolio management for managed accounts</i>	(a) (I) Conduct and Practices Handbook Course, and, (II) Any of the following: (A) Canadian Investment Manager Designation, (B) Chartered Investment Manager Designation, or, (C) CFA Charter administered by the CFA Institute, or, (b) If managing options or similar <i>derivative</i> accounts: (I) Requirements in sub-clause 2602(3)(xv)(a), and, (II) Either: (A) Requirements in paragraph 2602(3)(iii)(a)(II), or, (B) Requirements in sub-clause 2602(3)(iii)(b), or, (c) If managing futures contract, forward contract, contracts for difference, futures contract option or similar <i>derivative</i> accounts: (I) Requirements in sub-clause 2602(3)(xv)(a), (II) Requirements in sub-clause 2602(3)(v)(a), and, (III) Requirements in sub-clause 2602(3)(v)(c).		(d) If Canadian Investment Manager Designation or Chartered Investment Manager Designation is completed 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> , or, (e) If CFA Charter is completed, at least one year of relevant investment management experience within the three years before requesting approval acceptable to

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
			the Corporation.
<u>Investment Dealer member Trader Traders</u>			
(xvi) <i>Trader</i>	(a) Trader Training Course, unless otherwise determined by the <i>marketplace</i> on which the <i>Trader</i> will be trading.		
(xvii) <i>Trader on the Montréal Exchange</i>	(a) Proficiency requirements determined to be acceptable by the Montréal Exchange.		
<u>Supervisor – Retail or Institutional Investment Dealer Member Supervisors</u>			
(xviii) <i>Supervisor of Registered Representatives or Investment Representatives (other than supervising except those dealing with clients in derivatives)</i>	(a) Investment Dealer Supervisors Course, and, (b) (I) Either: (A) Canadian Securities Course, or, (B) CFA Level I or higher of the CFA Program administered by the CFA Institute, and, (II) Conduct and Practices Handbook Course, or, (c) If previously registered or approved with a <i>recognized foreign regulatory organization</i> within three years before requesting approval and as an alternative to sub-clause 2602(3)(xviii)(b), New Entrants Course		(d) Two years of relevant experience working for an investment dealer, (e) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i> , or, (f) Such other equivalent experience acceptable to the Corporation.
(xix) <i>Supervisor of Registered Representatives or Investment Representatives dealing with clients in</i>	(a) Options Supervisors Course, and, (b) Either: (I) (A) Conduct and Practices Handbook Course, and,		(d) Two years of relevant experience working for an investment dealer, (e) Two years of relevant

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<p><i>options_or similar derivatives</i></p>	<p>(B) Either:</p> <p>(i) Derivatives Fundamentals Course and the Options Licensing Course,</p> <p>or,</p> <p>(ii) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p> <p>(II) If previously registered with the Financial Industry Regulatory Authority and dealing in options or similar <i>derivatives</i> within three years before requesting approval:</p> <p>(A) New Entrants Course, and</p> <p>(B) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority, and</p> <p>(C) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		<p>experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i>,</p> <p>or,</p> <p>(f) Such other equivalent experience acceptable to the Corporation.</p>
<p>(xx) <i>Supervisor of Registered Representatives or Investment Representatives dealing with clients in futures contracts, forward contracts, contracts for difference, futures contract</i></p>	<p>(a) Canadian Commodity Supervisors Exam, and,</p> <p>(b) (I) Futures Licensing Course,</p> <p>(II) Conduct and Practices Handbook Course, and,</p> <p>(III) Any of the following:</p> <p>(A) Derivatives Fundamentals Course,</p> <p>(B) Derivatives Fundamentals and</p>		<p>(c) Two years of relevant experience working for an investment dealer,</p> <p>(d) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager or an</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
options or similar derivatives	Options Licensing Course, or, (C) If previously registered with National Futures Association dealing in futures contracts, forward contracts, contract for difference, futures contract options or similar derivatives within three years before requesting approval, the Series 3 Exam administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association)		entity governed by a <i>recognized foreign regulatory organization</i> , or, (e) Such other equivalent experience acceptable to the Corporation.
Designated Supervisor			
(xxi) <i>Supervisor designated to be</i> responsible for the opening of new accounts and account supervision and activity related policies and procedures	(a) Investment Dealer Supervisors Course.		(b) Two years of relevant experience working for an investment dealer, (c) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i> , or, (d) Such other equivalent experience

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
			acceptable to the Corporation.
(xxii) <i>Supervisor designated to be responsible for the supervision of discretionary accounts</i>	(a) Investment Dealer Supervisors Course.		(b) Two years of relevant experience working for an investment dealer, (c) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager or an entity governed by a <i>recognized foreign regulatory organization</i> , or, (d) Such other equivalent experience acceptable to the Corporation.
(xxiii) <i>Supervisor designated to be responsible for the supervision of managed accounts</i>	(a) Investment Dealer Supervisors Course, and, (b) Any of the following: (I) Canadian Investment Manager Designation, (II) Chartered Investment Manager Designation, or (III) CFA Charter administered by the CFA Institute (c) If supervising <i>options and similar derivative accounts</i> : (I) Requirements in sub-clauses 2602(3)(xxiii)(a) and 2602(3)(xxiii)(b), and,		(e) Two years of relevant experience working for an investment dealer, (f) Two years of relevant experience working for a portfolio manager or an entity governed by a <i>recognized foreign regulatory organization</i> , or,

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p>(II) Requirements in clause 2602(3)(xxiv),</p> <p>(d) If supervising futures contract, forward contract, contracts for difference, futures contract option and similar <i>derivative</i> accounts:</p> <p>(I) Requirements in sub-clauses 2602(3)(xxiii)(a) and 2602(3)(xxiii)(b), and,</p> <p>(II) Requirements in clause 2602(3)(xxv).</p>		<p>(g) Such other equivalent experience acceptable to the <i>Corporation</i>.</p>
<p>(xxiv) <i>Supervisor designated to be responsible for the supervision of option and similar derivative accounts</i></p>	<p>(a) Options Supervisors Course, and</p> <p>(b) Any of the following:</p> <p>(I) Derivatives Fundamentals Course and the Options Licensing Course,</p> <p>(II) Derivatives Fundamentals and Options Licensing Course,</p> <p>or,</p> <p>(III) If previously registered with the Financial Industry Regulatory Authority dealing in options within three years before requesting approval:</p> <p>(A) New Entrants Course,</p> <p>(B) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority,</p> <p>and,</p> <p>(C) Series 7 Exam administered by the Financial Industry Regulatory Authority.</p>		<p>(c) Two years of relevant experience working for an investment dealer,</p> <p>(d) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i>,</p> <p>or,</p> <p>(e) Such other equivalent experience acceptable to the <i>Corporation</i>.</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<p>(xxv) <i>Supervisor designated to be responsible for the supervision of futures contract, forward contract, contract for difference, futures contract option and similar <i>derivative accounts</i></i></p>	<p>(a) Canadian Commodity Supervisors Exam, (b) Futures Licensing Course, and, (c) Any of the following: (I) Derivatives Fundamentals Course, (II) Derivatives Fundamentals and Options Licensing Course, or, (III) If previously registered with the National Futures Association and dealing in futures within three years before requesting approval, the Series 3 Exam administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association).</p>		<p>(d) Two years of relevant experience working for an investment dealer, (e) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i>, or, (f) Such other equivalent experience acceptable to the <i>Corporation</i>.</p>
<p>(xxvi) <i>Supervisor designated to be responsible for the pre-approval of <u>advertising advertisements, sales literature communications</u> and <u>correspondence client communication</u></i> <u>s</u></p>	<p>(a) Investment Dealer Supervisors Course.</p>		<p>(b) Two years of relevant experience working for an investment dealer, (c) Two years of relevant experience working for a Mutual Fund Dealer Member, portfolio manager, or an entity governed by a <i>recognized foreign regulatory organization</i>,</p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
			or, (d) Such other equivalent experience acceptable to the Corporation.
(xxvii) <i>Supervisor designated to be responsible for the supervision of research reports</i>	(a) Conduct and Practices Handbook Course, and, (b) Any of the following: (I) CFA Level II or higher of the CFA Program administered by the CFA Institute, (II) Partners, Directors and Senior Officers Course, (III) Investment Dealer Supervisors Course, or (IV) If previously registered with the Financial Industry Regulatory Authority within three years before requesting approval: (A) Securities Industry Essentials Exam and Series 86/87 Exam administered by the Financial Industry Regulatory Authority, or, (B) Series 16 Exam administered by the Financial Industry Regulatory Authority.		(c) Two years of relevant experience working for an investment dealer or registered advisor, (d) Two years of relevant experience working for an entity governed by a recognized foreign regulatory organization, or, (e) Such other equivalent experience acceptable to the Corporation.
<u>Investment Dealer Member Executive and Director Executives and Directors</u>			
(xxviii) <i>Executive (including Ultimate Designated Person)</i>	(a) Partners, Directors and Senior Officers Course.		(b) Experience in accordance with subsection 2503(2), if applicable.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
(xxix) <i>Director</i> (where required per section 2502)	(a) Partners, Directors and Senior Officers Course.		(b) Experience in accordance with clause 2502(2)(iii), if applicable.
(xxx) <i>Chief Financial Officer</i>	(a) Partners, Directors and Senior Officers Course, and, (b) Chief Financial Officers Qualifying Examination.		(c) A financial accounting designation, finance related university degree or diploma or equivalent work experience as may be acceptable to the Corporation.
(xxxi) <i>Chief Compliance Officer</i>	(a) Partners, Directors and Senior Officers Course, and, (b) Chief Compliance Officers Qualifying Examination.		(c) Five years working for an investment dealer or registered advisor, with at least three years in a compliance or supervisory capacity, or, (d) Three years providing professional services in the securities industry, with at least 12 months experience working at an investment dealer or registered advisor in a compliance or supervisory capacity.

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<u>(xxxii) Ultimate Designated Person</u>	<u>(a) Requirements in sub-clause 2602(3)(xxviii)(a).</u>		<u>(b) Experience in accordance with sub-clause 2602(3)(xxviii)(b).</u>
Approved Investment Dealer approved investor investors			
(xxxii) <u>(xxxiii)</u> Approved investor (under subsections 2555(2) and 2555(3))	(a) Partners, Directors and Senior Officers Course.		
Mutual Fund Dealer Member Approved Person Categories			
Mutual Fund Dealer Member Registered Representatives			
<u>(xxxiv) Registered Representative</u>	<p><u>(a) Registration as a Mutual Fund Dealer – Dealing Representative with the applicable securities regulatory authorities, including any applicable pre-approval requirements as required under National Instrument 31-103</u></p> <p><u>and</u></p> <p><u>(b) if dealing in Exchange Traded Funds:</u></p> <p><u>(I) Either:</u></p> <p><u>(A) Exchange Traded Funds for Mutual Fund Representatives,</u></p> <p><u>(B) The Exchange-Traded Funds Course (IFSE Institute),</u></p> <p><u>or</u></p> <p><u>(C) Exchange Traded Funds for Representatives of Mutual Fund Dealers (Smarten Up Institute),</u></p> <p><u>or</u></p> <p><u>(II) equivalent training provided by the Mutual Fund Dealer Member acceptable to the Corporation.</u></p>	<u>(d) any applicable post-approval requirements as required under National Instrument 31-103</u>	<u>(e) any applicable experience and other proficiency requirements as required under National Instrument 31-103</u>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
	<p><u>and</u> <u>(c) if dealing in Alternative Mutual Funds:</u> <u>(I) Investing in Alternative Mutual Funds and Hedge Funds Course (IFSE Institute),</u> <u>(II) Alternative Strategies: Hedge Funds & Liquid Alts for Mutual Fund Representatives Course,</u> <u>(III) Derivatives Fundamentals Course,</u> <u>(IV) Canadian Securities Course,</u> <u>or</u> <u>(V) passed the courses required to be registered as a Portfolio Manager – Advising Representative pursuant to section 3.11 of National Instrument 31-103.</u></p>		
<u>Mutual Fund Dealer Member Supervisors</u>			
<u>(xxxv) Supervisor</u>	<p><u>(a) Meet the requirements for a Mutual Fund Dealer – Dealing Representative as prescribed under applicable securities laws,</u> <u>and</u> <u>(b) Passed any one of the following courses:</u> <u>(I) Branch manager Course,</u> <u>(II) the Mutual Fund Branch Managers’ Examination Course (IFSE Institute),</u> <u>or</u> <u>(III) the Branch Compliance Officers Course.</u></p>		<p><u>(c) have acted as a salesperson, trading partner, director, officer or compliance officer registered under the applicable securities laws for a minimum of two years;</u> <u>or</u> <u>(d) have a minimum of two years of equivalent experience to that of an individual described in paragraph (c).</u></p>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
<u>Mutual Fund Dealer Member Directors and Executives</u>			
<u>(xxxvi) Executive</u>	<u>(a) Partners, Directors and Senior Officers Course. This requirements does not apply to a Chief Compliance Officer or Ultimate Designated Person of a Mutual Fund Dealer Member.</u>		<u>(b) Experience in accordance with subsection 2503(2), if applicable. This requirement does not apply to a Chief Compliance Officer or Ultimate Designated Person of a Mutual Fund Dealer Member.</u>
<u>(xxxvii) Director (where required per section 2502)</u>	<u>(a) Partners, Directors and Senior Officers Course.</u>		<u>(b) Experience in accordance with clause 2502(2)(iii), if applicable.</u>
<u>(xxxviii) Chief Financial Officer</u>	<u>(a) Partners, Directors and Senior Officers Course, and, (b) Chief Financial Officers Qualifying Examination.</u>		<u>(c) A financial accounting designation, finance related university degree or diploma or equivalent work experience as may be acceptable to the Corporation.</u>
<u>(xxxix) Chief Compliance Officer</u>	<u>(a) Registration as a Mutual Fund Dealer – Chief Compliance Officer with the applicable securities regulatory authorities, including any applicable pre-approval requirements as required under National Instrument 31-103</u>	<u>(b) Any applicable post-approval requirements as required under National Instrument 31-103</u>	<u>(c) Any applicable experience and other proficiency requirements as required under National Instrument 31-103</u>

Approved Person category	Pre-approval requirements	Post-approval requirements	Experience and other proficiency related requirements
(xl) <u>Ultimate Designated Person</u>	(a) <u>Registration as a Mutual Fund Dealer – Ultimate Designated Person with the applicable securities regulatory authorities, including any applicable pre-approval requirements as required under National Instrument 31-103</u>	(b) <u>Any applicable post-approval requirements as required under National Instrument 31-103</u>	(c) <u>Any applicable experience and other proficiency requirements as required under National Instrument 31-103</u>
<u>Mutual Fund Dealer approved investors</u>			
(xli) <u>Approved investor (under subsections 2555(2) and 2555(3))</u>	(a) <u>Partners, Directors and Senior Officers Course.</u>		

2603. Permitted activities of mutual funds only Investment Dealer Member Registered Representatives and Investment Representatives

- (1) An applicant for approval, or an *individual* approved, as a *Registered Representative* dealing in mutual funds only at an Investment Dealer Member, or an *Investment Representative* dealing in mutual funds only, will be also permitted to trade in exchange-traded funds that meet the definition of a mutual fund provided the *individual*:
 - (i) was permitted to trade in exchange-traded funds within the 90 days prior to these Rules coming into effect, or
 - (ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):
 - (a) the ETFs for Mutual Fund Representatives course administered by-CSI Global Education Inc., or
 - (b) the Exchange Traded Funds course administered by the Investment Funds Institute of Canada, or
 - (c) the Exchange Traded Funds for Mutual Fund Representatives course administered by the Smarten Up Institute.

- (2) ~~An applicant for approval, or an individual approved, as a Registered Representative dealing in mutual funds only, or an Investment Representative dealing in mutual funds only, will be also permitted to trade in exempt market products provided the individual:~~
- ~~(i) — was permitted to trade in exempt market products within the 90 days prior to these Rules coming into effect, or~~
 - ~~(ii) — complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):~~
 - ~~(a) — the Exempt Markets Proficiency Course administered by the IFSE Institute, or~~
 - ~~(b) — the Canadian Securities Course, or~~
 - ~~(c) — Level I or any higher level of the CFA Program administered by the CFA Institute~~

Reserved.

- (3) The following terms have the meaning set out below when used in subsection 2603(4):

<p>“alternative mutual fund” <u>(organisme de placement collectif non traditionnel ou OPC non traditionnel)</u></p>	<p>The same meaning as the definition in National Instrument 81-102, <i>Investment Funds</i>.</p>
<p>“bridge course” <u>(cours de transition)</u></p>	<p>Either:</p> <ul style="list-style-type: none"> (i) the Investing in Alternative Mutual Funds and Hedge Funds course administered by the IFSE Institute, or (ii) the Hedge Funds and Liquid Alternatives for Mutual Fund Representatives course administered by CSI Global Education Inc.

- (4) An applicant for approval, or an individual approved, as a Registered Representative dealing in mutual funds only at an Investment Dealer Member, or an Investment Representative dealing in mutual funds only, will be also permitted to trade in alternative mutual funds provided the individual:
- (i) was permitted to trade in alternative mutual funds within the 90 days prior to these Rules coming into effect, or
 - (ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):
 - (a) the bridge course, or
 - (b) the Derivatives Fundamentals Course, or
 - (c) the Canadian Securities Course, or
 - (d) the courses required to be registered as a Portfolio Manager – Advising Representative pursuant to section 3.11 of National Instrument 31-103, *Registration Requirement, Exemptions and Ongoing Registrant Obligations*.

2604. – 2624. Reserved.

PART B - EXEMPTIONS FROM PROFICIENCY REQUIREMENTS

2625. Specific exemptions

- (1) A *Chief Compliance Officer* seeking approval as a *Supervisor* of a producing *Supervisor* is exempt from the proficiencies required under 2602(3)(xviii) for the purposes of being approved in this capacity, if the producing *Supervisor* is an *Approved Person* who is:
 - (i) a *Supervisor* of a *Registered Representative* or *Investment Representative* and
 - (ii) actively engaged as a *Registered Representative* dealing with *retail clients*.
- (2) An applicant seeking approval as a *Supervisor* in relation to activities of *individuals* approved to deal in mutual funds only of an *Investment Dealer Member*, including those in subsections 2603(1) and 2603(2), is exempt from the pre-approval course requirements in clauses 2602(3)(xviii) and 2602(3)(xxi) provided the *individual*:
 - (i) was ~~designated~~approved by ~~a member~~the Corporation as a *Supervisor* of the *Mutual Fund Dealers Association of Canada* as a branch manager*Dealer Member*, within 90 days prior to these Rules coming into effect, or
 - (ii) has successfully completed the following within the timelines prescribed in subsection 2628(1):
 - (a) instead of the Canadian Securities Course, either the:
 - (I) Canadian Investment Funds Course administered by the Investment Funds Institute of Canada, or
 - (II) Investment Funds in Canada Course.
 - (b) instead of the Investment Dealers Supervisors Course, either the:
 - (I) Mutual Fund Branch Managers' Examination Course administered by the Investment Funds Institute of Canada, or
 - (II) Branch Compliance Officers Course.
- (3) With the exception of *individuals* who were required to transition to the *Portfolio Manager* and *Associate Portfolio Manager* approval categories, *individuals* approved prior to December 31, 2021 are exempt from any new proficiency requirements introduced as at December 31, 2021 in subsection 2602(3), provided the *Approved Person* continues in the same role.

2626. General and discretionary exemptions

- (1) The *Corporation* may exempt any *person* or class of *persons* from any proficiency requirement, in whole or in part, if the applicant demonstrates acceptable alternative experience, and/or successful completion of alternative courses or examinations to the *Corporation*.
- (2) This exemption may be subject to any terms and conditions the *Corporation* considers appropriate.
- (3) The applicant must pay any fees prescribed by the *Board* for this exemption.

2627. Exemptions from completing the required courses

- (1) As set out in the table below, an applicant or *Approved Person* is exempt from writing/completing a required course if the applicant meets the applicable exemption criteria.

Required course	Course required for exemption	Exemption criteria
(i)(a) 90-day Training Program	(b) none	(c) Request approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for <i>retail clients</i> either: (I) by a <i>recognized foreign regulatory organization</i> , or (II) as an advising representative or associate advising representative by a Canadian <i>securities regulatory authority</i>
(ii)(a) 30-day Training Program	(b) none	(c) Request approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for <i>retail clients</i> either: (I) by a <i>recognized foreign regulatory organization</i> , or (II) as an advising representative or associate advising representative by a Canadian <i>securities regulatory authority</i>

2628. Course validity and exemptions from rewriting or repeating courses

- (1) Courses are valid for three years from the date of successful completion.
- (2) An applicant for approval must rewrite or repeat a course if the applicant has not been approved in a category listed in subsection 2602(3) or registered by a Canadian *securities regulatory authority* in a similar category requiring the course within the last three years.
- (3) The courses and examinations listed in Rule 2600 includes every prior and successor course or examination, provided that they do not have a significantly reduced scope and content, as determined by the *Corporation*.
- (4) For the purposes of determining course validity, an *Approved Person* is not considered to have been approved during any period in which the *Approved Person's* approval was suspended or the *individual* was otherwise not conducting any activities requiring *Corporation* approval on behalf of the *Dealer Member*.
- (5) The validity periods do not apply to the Canadian Investment Manager Designation, the Chartered Investment Manager Designation and the CFA Charter provided the holders of

these designations continue to have the right to use the designation and the designation has not been revoked or otherwise restricted.

- (6) An *individual* is exempt from rewriting or repeating 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
(i)(a) Partners, Directors and Senior Officers Course	(b) has previously been approved as an <i>officer</i> (prior to September 28, 2009) and surrendered registration with the introduction of the <i>Corporation</i> approval category of <i>Executive</i>	(c) applicant for approval who has maintained continuous employment with a <i>Dealer Member</i> in a senior capacity and remained in the corporate registry of a <i>Dealer Member</i> as an <i>officer</i> since September 28, 2009
(ii)(a) Chief Financial Officers Qualifying Examination	(b) has never been approved as a <i>Chief Financial Officer</i>	(c) applicant for approval has demonstrated to the <i>Corporation's</i> satisfaction that the applicant has been working closely with and assisting the <i>Chief Financial Officer</i> since the completion of the Chief Financial Officers Qualifying Examination
(iii)(a) Derivatives Fundamentals Course	(b) an applicant for approval or <i>Approved Person</i> who will be dealing with clients in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> or supervising <i>Approved Persons</i> who deal with such clients	(c) applicant seeking approval or filing a notice within three years of passing the Futures Licensing Course or the Canadian Commodity Supervisors Exam
(iv)(a) Derivatives Fundamentals Course	(b) an applicant for approval or an <i>Approved Person</i> dealing with clients, in options or similar <i>derivatives</i> , or supervising <i>Approved Persons</i> who deal with such clients	(c) applicant seeking approval or filing a notice within three years of completing the Options Licensing Course or the Options Supervisors Course
(v)(a) Derivatives Fundamentals and Options Licensing Course	(b) an applicant for approval or an <i>Approved Person</i> dealing with clients, in options, or supervising <i>Approved Persons</i> who deal with such clients	(c) applicant seeking approval or filing a notice within three years of completing the Options Licensing Course

Course	Individual's current status	Exemption criteria
(vi)(a) Wealth Management Essentials Course	(b) an applicant for approval or <i>Approved Person</i> who will be dealing with <i>retail clients</i> in <i>securities</i>	(c) applicant seeking approval or filing a notice within three years of completing all three levels of the CFA Program or the CFA Charter administered by the CFA Institute which continues to be in good standing
(vii)(a) 90-day Training Program	(b) an applicant for approval or <i>Approved Person</i>	(c) applicant seeking approval or filing a notice within three years of being approved or registered in a capacity allowing trading of, or advising in, <i>securities</i> for <i>retail clients</i> either: (I) by a <i>recognized foreign regulatory organization</i> , or (II) as an advising representative or associate advising representative by a <i>securities regulatory authority</i>
(viii)(a) 30-day Training Program	(b) an applicant for approval or <i>Approved Person</i>	(c) applicant seeking approval or filing a notice within three years of being approved or registered in a capacity allowing trading of, or advising in, <i>securities</i> for <i>retail clients</i> either: (I) by a <i>recognized foreign regulatory organization</i> , or (II) as an advising representative or associate advising representative by a <i>securities regulatory authority</i>

2629. Reserved

PART C - TRANSITION PROVISIONS

2630. Transition of Advising Representatives and Associate Advising Representatives into the Portfolio Manager and Associate Portfolio Manager approval category

- (1) An *individual* registered as an advising representative or associate advising representative by a *securities regulatory authority* within the 90 days prior to the date of application as a *Portfolio Manager* or *Associate Portfolio Manager* has

three months after the date of approval by the *Corporation* to complete the Conduct and Practices Handbook Course.

- (2) The Corporation will:
- (i) automatically suspend the approval of the *Portfolio Manager* or *Associate Portfolio Manager* if he or she does not complete the Conduct and Practices Handbook Course within the timeframe set out in 2630(1), and
 - (ii) reinstate the *Portfolio Manager* or *Associate Portfolio Manager* once he or she has successfully completed the Conduct and Practices Handbook Course and has notified the *Corporation*.

2631. – 2699. Reserved.

RULE 2800 | THE NATIONAL REGISTRATION DATABASE

2801. Introduction

- (1) A Dealer Member must participate in the *National Registration Database* (defined in subsection 2802(1)).
- (2) A Dealer Member must ensure timely and accurate filings on the *National Registration Database*.

2802. Definitions

- (1) The following terms have the meaning set out below when used in sections 2803 through 2808:

<p>“authorized firm representative” <u>(représentant autorisé de la société)</u></p>	<p>For a Dealer Member, an individual with his or her own <i>National Registration Database</i> user identification and who is authorized by the Dealer Member to submit information in <i>National Registration Database</i> format for that Dealer Member and individual applicants with respect to whom the Dealer Member is the sponsoring Dealer Member.</p>
<p>“chief authorized firm representative” <u>(représentant en chef autorisé de la société)</u></p>	<p>For a Dealer Member filer, an individual who is an authorized firm representative and has accepted an appointment as a chief authorized firm representative by the Dealer Member.</p>
<p>“National Registration Database” <u>(Base de données nationale d’inscription)</u></p>	<p>The online electronic database of registration and approval information regarding Dealer Members, their registered or Approved Persons and other firms and individuals registered under securities laws, and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means including, any successor database.</p>
<p>“National Registration Database account” <u>(compte BDNI)</u></p>	<p>An account with a member of the Canadian Payments Association from which fees may be paid with respect to <i>National Registration Database</i> by electronic pre-authorized debit.</p>
<p>“National Registration Database Administrator” <u>(administrateur de la Base de données nationale d’inscription)</u></p>	<p>The Alberta Securities Commission or a successor appointed by the securities regulatory authorities to operate the <i>National Registration Database</i>.</p>

<p>“National Registration Database format” (format BDNI)</p>	<p>The electronic format for submitting information through the <i>National Registration Database website</i>.</p>
<p>“National Registration Database submission” (présentation de renseignements à la Base de données nationale d’inscription)</p>	<p>The information that is submitted under <i>securities laws</i>, securities directions or under Rule 2800, in the <i>National Registration Database format</i>, or the act of submitting information under <i>securities laws</i>, securities directions or under Rule 2800, in the <i>National Registration Database format</i>, as the context requires.</p>
<p>“National Registration Database website” (site Web de la Base de données nationale d’inscription)</p>	<p>The website operated by the <i>National Registration Database Administrator</i> for the <i>National Registration Database submissions</i>.</p>

2803. Dealer Member obligations for the National Registration Database

- (1) A Dealer Member must, as prescribed by the applicable *securities laws*:
 - (i) enroll in the *National Registration Database* and pay the enrollment fee to the *securities regulatory authority* in the Dealer Member’s principal jurisdiction,
 - (ii) enroll, with the *National Registration Database Administrator*, only one *chief authorized firm representative* responsible for the Dealer Member’s *National Registration Database* filings,
 - (iii) notify the *National Registration Database Administrator*, of the appointment of a new *chief authorized firm representative* within seven days of the appointment,
 - (iv) notify the *National Registration Database Administrator*, of any change in name, phone number, fax number or email address of the *chief authorized firm representative* within seven days of the change,
 - (v) maintain only one *National Registration Database account*, and
 - (vi) submit through the *National Registration Database* any change of an *authorized firm representative* who is not the *chief authorized firm representative*, within seven days.
- (2) The following list describes the submission requirements as prescribed by *securities laws*.
 - (i) A Dealer Member must make the following submissions using the *National Registration Database* on the *National Registration Database* form specified, within the time period prescribed by National Instrument 33-109.

Type of submission	Form
(a) an application for approval of an <i>individual</i> under any <i>Corporation</i> requirement	Form 33-109F4 - Registration of Individuals and Review of Permitted Individuals
(b) a notification of any change in the type of business which an <i>Approved Person</i> will conduct	Form 33-109F2 - Change or Surrender of Individual Categories
(c) (I) an application for different or additional approval under <i>Corporation requirements</i> for any <i>Approved Person</i> , (II) a surrender of existing approval	Form 33-109F2 - Change or Surrender of Individual Categories
(d) a report of a change of information regarding an <i>Approved Person</i> previously submitted in Form 33-109F4	Form 33-109F5 - Change of Registration Information
(e) an application for an exemption from a proficiency requirement of section 2602 for an <i>Approved Person</i> or applicant for approval	"Apply for an Exemption" submission on the <i>National Registration Database</i>
(f) a notification by a <i>Dealer Member</i> of the end of an employee's <i>Approved Person</i> status	Form 33-109F1 - Notice of End of Individual Registration or Permitted Individual Status
(g) a notification of a <i>business location</i> opening or closing under section 2202	Form 33- 109F3 - Business locations other than head office
(h) a notification of change of address, type of location or supervision of any <i>business location</i>	Form 33-109F3 - Business locations other than head office
(i) notification of reinstatement of <i>individual</i> approval.	Form 33-109F7 - Reinstatement of Registered Individuals and Permitted Individuals (see section 2808 for eligible criteria before making this filing).

- (ii) Before filing a notice of change of business type under sub-clause 2803(2)(i)(b) above, a *Dealer Member* must notify the *Corporation* through the *National Registration Database* that either:
- (a) the *Approved Person* has completed the necessary proficiency requirements under section 2602(3) to undertake the type of business, or
 - (b) the *Approved Person* has been granted an exemption from the proficiency requirements under sections 2625 through 2628.

2804. Temporary hardship exemption

- (1) A *Dealer Member* that cannot file a document in the *National Registration Database* format within the time required under subsection 2803(2) because of unexpected technical problems must submit the document outside of the *National Registration Database* within seven days of the required filing date.
- (2) When submitting outside of the *National Registration Database* under subsection 2804(1), the *Dealer Member* must include the following text at the top of the first page of the submission in capital letters:

“IN ACCORDANCE WITH SECTION 2804 OF THE CORPORATION INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES AND PART 5 OF NATIONAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE, WE ARE SUBMITTING THIS [SPECIFY DOCUMENT] OUTSIDE OF NATIONAL REGISTRATION DATABASE UNDER A TEMPORARY HARDSHIP EXEMPTION.”
- (3) As soon as practicable, but within fourteen days after the unexpected technical problems have been fixed, a *Dealer Member* must resubmit using the *National Registration Database* format the information filed outside of the *National Registration Database* under subsection 2804(1).

2805. Due diligence and record keeping

- (1) A *Dealer Member* must make reasonable efforts to ensure that the information submitted through the *National Registration Database* is true and complete.
- (2) A *Dealer Member* must keep all documents used to meet its obligation under subsection 2805(1) for seven years after the *individual* ceases to be an *Approved Person* of the *Dealer Member*, or in any case when an *individual* who applied for approval was refused or withdrawn.
- (3) A *Dealer Member* must record the *National Registration Database* submission number on any document kept under subsection 2805(2).
- (4) For recently approved *individuals*, a *Dealer Member* must obtain, within 60 days of approval, a copy of the most recent Form 33-109F1 issued in respect of the *individual* by the former sponsoring *Dealer Member*.

2806. Fees

- (1) A *Dealer Member* must pay, the annual *National Registration Database* system fee set by the *Corporation*, to the *securities regulatory authority* in the local jurisdiction by electronic pre-authorized debit through the *National Registration Database*.
- (2) The following fees must be submitted as prescribed by *securities laws* and *Corporation* requirements:
 - (i) a *Dealer Member* making any *National Registration Database* submission under section 2803 must pay the prescribed fees for the submission, together with the *National Registration Database* system fee, to the *securities regulatory authority* in the *Dealer Member's* local jurisdiction for the use of the *National Registration Database*,

- (ii) a *Dealer Member* must pay any prescribed fees for failure to file any notification within the time specified, and
 - (iii) a *Dealer Member* is required to pay all fees payable under section 2806 through its *National Registration Database account* by pre-authorized electronic debit.
- (3) A *Dealer Member* making an application for a proficiency exemption, for an *Approved Person* or applicant for approval, will be liable for and pay the *Corporation* an exemption request fee as prescribed from time to time by the *Board*.

2807. Cessation of Approved Person status

- (1) A *Dealer Member* must notify the *Corporation* of the cessation of an individual's status as an *Approved Person*, within the time period and the manner prescribed in National Instrument 33-109.
- (2) Approval of an *individual* will end if:
 - (i) the *individual* ceases to be an *Approved Person* with a *Dealer Member*, or
 - (ii) the approved agency relationship with a *Dealer Member* is terminated.
- (3) A *Dealer Member* must upon receiving a request from an *individual* that was its former *Approved Person*, provide to the *individual* a copy of the Form 33-109F1 that the *Dealer Member* submitted under subsection 2807(1) in respect of that *individual*, within the time period prescribed by National Instrument 33-109.
- (4) If a *Dealer Member* completed and submitted the information in item five of Form 33-109F1 in respect of an *individual* who made a request under subsection 2807(3) and that information was not included in the initial copy provided to the *individual*, the *Dealer Member* must provide to that *individual* a further copy of the completed Form 33-109F1, including the information in item five, , within the time period prescribed by National Instrument 33-109.

2808. Reinstatement of Approved Persons

- (1) An individual may be reinstated in the same *Approved Person* category or categories by submitting a completed Form 33-109F7, provided the conditions in Form 33-109F7 and National Instrument 33-109 are satisfied.

2809. – 2999. Reserved.

SERIES 3000 | BUSINESS CONDUCT AND CLIENT ACCOUNTS RULES

RULE 3100 | DEALING WITH CLIENTS

3101. Introduction

- (1) Rule 3100 sets out a *Dealer Member's* obligations with respect to their dealings with their clients. The requirements are intended to underpin the *Corporation's* objectives of maintaining investor confidence in *securities and derivatives* markets and reinforcing a *Dealer Member's* responsibility to observe high standards of ethics and conduct in their dealings with clients.
- (2) Rule 3100 is divided into the following parts:
 - Part A ~~–~~ Business Conduct
[section 3102]
 - Part B ~~–~~ Conflicts of interest
[sections ~~3110~~3105 through ~~3118~~3114]
 - [...]

PART A – BUSINESS CONDUCT

3102. Business conduct

- (1) A *Dealer Member* must ensure that it handles its clients' business within the bounds of ethical conduct, consistent with just and equitable principles of trade, and in a manner that is not detrimental to the interests of the investing public and the *securities investment* industry.
- (2) A *Dealer Member* must take reasonable steps to ensure that all orders or recommendations for any account are within the bounds of good business practice.

3103. – ~~3109~~3104. ~~–~~ Reserved.

PART B – CONFLICTS OF INTEREST

~~3110~~3105. Responsibility to identify conflicts of interest

- (1) A *Dealer Member* must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable:
 - (i) between the *Dealer Member* and the client, and
 - (ii) between each *Approved Person* acting on the *Dealer Member's* behalf and the client.
- (2) An *Approved Person* must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, between the *Approved Person* and the client.
- (3) If an *Approved Person* identifies a material conflict of interest under subsection ~~3110~~(23105(2)), the *Approved Person* must promptly report that conflict of interest to the *Dealer Member*.

31113106. Approved Person responsibility to address conflicts of interest

- (1) An *Approved Person* must address all material conflicts of interest between the client and the *Approved Person* in the best interest of the client.
- (2) An *Approved Person* must avoid any material conflict of interest between the client and the *Approved Person* if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) An *Approved Person* must not engage in any trading or advising activity in connection with a material conflict of interest identified by the *Approved Person* under subsection ~~3110~~(23105(2)) unless,
 - (i) the conflict has been addressed in the best interest of the client, and
 - (ii) the *Dealer Member* has given the *Approved Person* its consent to proceed with the activity.

31123107. Dealer Member responsibility to address conflicts of interest

- (1) A *Dealer Member* must address all material conflicts of interest between the *Dealer Member* and the client, including each *Approved Person* acting on its behalf, in the best interest of the client.
- (2) A *Dealer Member* must avoid any material conflict of interest between the client and the *Dealer Member*, including each *Approved Person* acting on its behalf, if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) A *Dealer Member* must adequately supervise how all material conflicts of interest between the client and the *Approved Person* are addressed by its *Approved Persons* pursuant to section ~~3111~~3106.

31133108. Responsibility to disclose conflicts of interest

- (1) A *Dealer Member* must disclose in writing all material conflicts of interest identified under subsections ~~3110~~(13105(1)) and ~~3110~~(23105(2)) to the client whose interests are affected by the conflicts of interest if a reasonable client would expect to be informed of those conflicts of interest.
- (2) The information required to be disclosed to the client under subsection ~~3113~~(13108(1)) must:
 - (i) include a description of:
 - (a) the nature and extent of the conflict of interest,
 - (b) the potential impact on and risk that the conflict of interest could pose to the client, and
 - (c) how the conflict of interest has been, or will be, addressed,
 - (ii) be presented in a manner that, to a reasonable person, is prominent, specific and written in plain language,
 - (iii) be disclosed:
 - (a) before opening an account for the client if the conflict has been identified at that time, or
 - (b) in a timely manner, upon identification of a conflict that must be disclosed under subsection ~~3113~~(13108(1)) that has not previously been disclosed to the client.

- (3) For greater certainty, a *Dealer Member* and an *Approved Person* do not satisfy subsections ~~3111(13106(1))~~ or ~~3112(13107(1))~~ solely by providing disclosure to the client.

~~3114~~**3109.** **Conflicts of interest policies and procedures**

- (1) A *Dealer Member's* policies and procedures must specifically address identifying, disclosing and avoiding or otherwise addressing material conflict of interest situations.

~~3115~~**3110.** **Personal financial dealings**

- (1) An *employee* or *Approved Person* of a *Dealer Member*, must not, directly or indirectly, engage in any personal financial dealings with clients.
- (2) Personal financial dealings include, but are not limited to, the following types of dealings:
- (i) Accepting any consideration
 - (a) Except as described in paragraphs ~~3115(23110(2))~~(i)(a)(I) and ~~3115(23110(2))~~(i)(a)(II) accepting any consideration, including *remuneration*, gratuity or benefit, from any *person* other than the *Dealer Member* for any activities conducted on behalf of a client.
 - (I) Consideration that is non-monetary, of minimal value, and infrequent such that it will not cause a reasonable person to question whether it created a conflict of interest or otherwise improperly influenced the *Dealer Member* or its *employees* would not be considered to be consideration for the purposes of sub-clause ~~3115(23110(2))~~(i)(a).
 - (II) Compensation received from a client in exchange for services provided through an approved outside activity would not be considered to be consideration for the purpose of sub-clause ~~3115(23110(2))~~(i)(a).
 - (ii) Settlement agreements without the *Dealer Member's* approval
 - (a) Entering into a settlement agreement without the *Dealer Member's* prior written consent, or
 - (b) Paying for client account losses out of personal funds without the *Dealer Member's* prior written consent.
 - (iii) Borrowing from clients
 - (a) Borrowing money or receiving a *guarantee* in relation to borrowing money, ~~securities~~investment products or any other assets from a client, unless:
 - (I) the client is a financial institution whose business includes lending money to the public and the borrowing is in the normal course of the institution's business, or
 - (II) the client is a Related Person as defined by the Income Tax Act (Canada) and the transaction is addressed in accordance with the *Dealer Member's* policies and procedures,
 and
 - (III) in the case of *Associate Portfolio Managers*, *Portfolio Managers*, *Investment Representatives* and *Registered Representatives*, the arrangement set out in paragraph ~~3115(23110(2))~~(iii)(a)(II) is disclosed to and approved in writing by the *Dealer Member*, prior to the transaction.

- (iv) Lending to clients
 - (a) Lending money, or providing a *guarantee* in relation to a loan of money, ~~securities~~investment products or any other assets to a client, unless:
 - (I) the client is a Related Person as defined by the Income Tax Act (Canada) and the transaction complies with the *Dealer Member's* policies and procedures, and
 - (II) in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives* and *Registered Representatives*, the arrangement set out in paragraph ~~3115(23110(2))~~(iv)(a)(I) is disclosed to and approved in writing by the *Dealer Member*, prior to the transaction.
- (v) Control or authority
 - (a) ~~Acting~~Accepting or acting as a Power of Attorney, trustee, executor, or otherwise having full or partial control or authority over the financial affairs of a client, unless:
 - (I) the client is a Related Person as defined by the Income Tax Act (Canada) and the existence of such control is addressed in accordance with the *Dealer Member's* policies and procedures, and
 - (II) in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives* and *Registered Representatives*, the arrangement in paragraph ~~3115(23110(2))~~(v)(a)(I) is disclosed to and approved in writing by the *Dealer Member*, prior to entering into the arrangement.
 - (b) In the case of *discretionary accounts* and *managed accounts*, paragraph ~~3115(23110(2))~~(v)(a)(I) does not apply to the extent that the control or authority is solely exercised consistent with the terms of the *discretionary account* agreement or the *managed account* agreement, and with *Corporation requirements* for such accounts.
- (vi) Beneficiary status and estate bequests
 - (a) For the purposes of 3110(vi)(b), "immediate family" means parents, grandparents, mother-in-law or father-in-law, spouse or domestic partner, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and any other person who resides in the same household as the Approved Person or employee and the Approved Person or employee financially supports, directly or indirectly, to a material extent. The term includes step and adoptive relationships.
 - (b) Accepting the status of a beneficiary of a client's estate or receiving a bequest from a client's estate upon learning of such status, unless:
 - (I) the client is a member of the employee's or Approved Person's immediate family; and
 - (II) in the case of Associate Portfolio Managers, Portfolio Managers, Investment Representatives and Registered Representatives, the proposed

status or bequest is disclosed to and approved in writing by the Dealer Member, prior to accepting such status or bequest.

31163111. Offering gratuity

- (1) A Dealer Member or any Approved Person, employee or shareholder of a Dealer Member must not give, offer, or agree to give or offer, directly or indirectly, a gratuity, advantage, benefit or any other consideration, in relation to any business of the client with the Dealer Member, to any partner, director, officer, employee, agent or shareholder of a client or any associate of such persons.
- (2) Subsection ~~3116(13111(1))~~ does not apply if the prior written consent of the client has been obtained.

31173112. Mutual fund sales incentives

- (1) For purposes of section ~~31173112~~, the term "non-cash sales incentive" includes, without limitation, domestic or foreign trips, goods, services, gratuities, advantages, benefits or any other non-cash compensation.
- (2) A Dealer Member, related company, partner, employee or Approved Person of the Dealer Member or related company, must not, directly or indirectly, accept or pay any non-cash sales incentive in connection with the sale or distribution of mutual fund products.
- (3) The prohibition against non-cash mutual fund sales incentives in section ~~31173112~~ does not apply to:
 - (i) non-cash sales incentives earned or awarded through a Dealer Member's internal incentive program for which eligibility is determined with respect to all services and products offered by the Dealer Member,
 - (ii) commissions or fees payable in cash and calculated with reference only to particular sales or volumes of sales of mutual fund,
 - (iii) service fees or trailing commissions,
 - (iv) cost of marketing materials, or
 - (v) normal and reasonable business promotion activities taking place where the recipient is employed or resides.

31183113. Tied selling

- (1) A Dealer Member must not require a client to transact in, purchase, sell, use or invest in any investment product, or service, ~~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,~~ buying or selling ~~another investment product, or~~ service, ~~security or derivative~~.
- (2) Subsection ~~3118(13113(1))~~ does not prohibit a Dealer Member from providing financial incentives or advantages such as relationship pricing or other beneficial selling arrangements, to clients.

3114. Referral Arrangements

- (1) The following terms have the meaning set out below when used in section 3114

<u>“client” (client)</u>	<u>Includes a prospective client.</u>
<u>“referral arrangement” (entente d’indication de clients)</u>	<u>Means any arrangement in which a Dealer Member or Approved Person agrees to provide or receive a referral fee to or from another person.</u>
<u>“referral fee” (commission d’indication de clients)</u>	<u>Means any benefit provided for the referral of a client to or from a Dealer Member or Approved Person.</u>

- (2) A Dealer Member or Approved Person must not participate in a referral arrangement with another person unless:
- (i) before a client is referred by or to the Dealer Member or Approved Person, the terms of the referral arrangement are set out in a written agreement between the Dealer Member and the person,
 - (ii) the Dealer Member records all referral fees, and
 - (iii) the Dealer Member ensures that the information prescribed under subsection 3114(4) is provided to the client in writing before the party receiving the referral either opens an account for the client or provides services to the client.
- (3) A Dealer Member or Approved Person must not refer a client to another person unless the Dealer Member first takes reasonable steps to satisfy itself that the person has the appropriate qualifications to provide the services, and if applicable, is registered to provide those services.
- (4) The written disclosure of the referral arrangement required under clause 3114(2)(iii) must include the following:
- (i) the name of each party to the agreement referred to under clause 3114(2)(i),
 - (ii) the purpose and material terms of the agreement, including the nature of the services to be provided by each party,
 - (iii) any conflicts of interest resulting from the relationship between the parties to the agreement and from any other element of the referral arrangement,
 - (iv) the method of calculating the referral fee and, to the extent possible, the amount of the fee,
 - (v) the category of registration of each registrant that is a party to the agreement with a description of the activities that the registrant is authorized to engage in under that category and, considering the nature of the referral, the activities that the registrant is not permitted to engage in,
 - (vi) if a referral is made to a registrant, a statement that all activity requiring registration resulting from the referral arrangement will be provided by the registrant receiving the referral, and
 - (vii) any other information that a reasonable client would consider important in evaluating the referral arrangement.
- (5) If there is a change to the information set out under subsection 3114(4), the Dealer Member or Approved Person must ensure that written disclosure of that change is provided

to each *client* affected by the change as soon as possible and no later than the 30th day before the date on which a *referral fee* is next paid or received

3115. – 3118. - Reserved

[...]

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 A — Know-Your-Client and Client Identification Requirements:
 - sets out *Dealer Members'* obligation to know and identify each client and to learn and remain informed of the essential facts about each client, account and order accepted.
 - [sections 3202 through 3209]
 - Part B — Requirements for Client Accounts:
 - sets out the general account opening and updating procedures that, subject to certain exceptions specified within the requirements, are applicable to all accounts.
 - [sections 3210 through 3222]
 - Part C — Advisory Accounts:
 - sets out requirements that apply where the account is an *advisory account*.
 - [section 3230]
 - Part D — Order Execution Only Accounts:
 - sets out requirements that apply where the account is an *order execution only account*.
 - [sections 3240 and 3241]
 - Part E — Margin Accounts:
 - sets out requirements that apply where the account is a margin account.
 - [sections 3245 through 3247]
 - Part F — Additional Account Opening and Updating Procedures for Derivatives Trading Accounts:
 - sets out additional account opening and updating procedures for *derivatives* accounts.
 - [sections 3250 through 3255]
 - Part G — Discretionary Accounts and Managed Accounts:
 - sets out requirements that apply where the account is either a *discretionary account* or a *managed account*.
 - [sections 3270 through 3281]
- (2) Rule 3200 applies to *Dealer Members* in addition to all other *Corporation requirements*. No part of Rule 3200, unless otherwise specified, shall be interpreted to grant a *Dealer Member* an exemption for complying with other *Corporation requirements*.
- (3) The following terms have the meaning set out below when used in Part A – Know-Your-Client and Client Identification Requirements and Part B – Requirements for Client Accounts:

"financial exploitation" <i>(exploitation financière)</i>	means <u>Means</u> the use or control of, or deprivation of the use or control of, a financial asset of an <i>individual</i> by a <i>person</i> through undue influence, unlawful conduct or another wrongful act.
"trusted contact person" <i>(personne de confiance)</i>	means <u>Means</u> an <i>individual</i> identified by a client to a <i>Dealer Member</i> or <i>Approved Person</i> whom the <i>Dealer Member</i> or <i>Approved Person</i> may contact in accordance with the client's written consent.
"vulnerable client" <i>(client vulnérable)</i>	means <u>Means</u> a client who might have an illness, impairment, disability or aging-process limitation that places the client at risk of <i>financial exploitation</i> .

- (4) The following terms have the meaning set out below when used in Part D – Order Execution Only Accounts:

"adviser" <i>(conseiller)</i>	means <u>Means</u> a <i>person</i> that is not an <i>individual</i> and is registered as an adviser in accordance with <i>securities laws</i> .
"foreign adviser equivalent" <i>(personne assimilable à un conseiller étranger)</i>	means <u>Means</u> a <i>person</i> that is not an <i>individual</i> and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an <i>adviser</i> .

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

3202. Know Your-Client

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

- (4) Concurrently with taking the reasonable steps under [clause subsection](#) 3202(1) a *Dealer Member* must take reasonable steps to obtain from the client the name and contact information of a *trusted contact person*, and the written consent of the client for the *Dealer Member* to contact the *trusted contact person* to confirm or make inquiries about any of the following:
- (i) the *Dealer Member's* concerns about possible *financial exploitation* of the client,
 - (ii) the *Dealer Member's* concerns about the client's mental capacity as it relates to the ability of the client to make decisions involving financial matters,
 - (iii) the name and contact information of a legal representative of the client, if any,
 - (iv) the client's contact information.
- (5) Subsection 3202(4) does not apply to a *Dealer Member* in respect of a client that is not an *individual*.

3203. Identifying partnerships or trusts

- (1) When opening an initial account for a partnership or trust, a *Dealer Member* must:
- (i) in the case of a trust, obtain the names and addresses of all trustees and all known beneficiaries and settlors of the trust,
 - (ii) establish the existence of the partnership or trust and the nature of its business,
 - (iii) in accordance with the requirements set out in section 3206 establish the identity of each *individual* that exercises control over the affairs of the partnership or trust, and
 - (iv) [in the case of Investment Dealer Members,](#) not open a partnership or trust account unless it first obtains the information referred to in clause 3203(1)(iii) and determines whether the *individuals* described in clause 3203(1)(iii) and, in the case of a trust, any of the known beneficiaries of more than 10% of the trust are insiders of a reporting issuer or any other issuer whose securities are publicly traded.

3204. Identifying corporations

- (1) When opening an initial account for a corporation, a *Dealer Member* must:
- (i) obtain the names of all directors of the corporation within 30 days of opening the account,
 - (ii) establish the existence of the corporation and the nature of its business,
 - (iii) in accordance with the requirements set out in section 3206, establish the identity of any *individual* who is the *beneficial owner*, or exercises direct or indirect control or direction, of 25% or more of the voting rights attached to the outstanding voting securities of the corporation, and
 - (iv) [in the case of Investment Dealer Members,](#) not open an account unless it identifies any such *individual beneficial owners* required under clause 3204(1)(iii) and determines whether one or more of them are insiders of a reporting issuer or any other issuer whose securities are publicly traded.

3205. Prohibition on shell banks

- (1) A *Dealer Member* must not open or maintain an account for a shell bank, which is defined as a bank that does not have a physical presence in any country.

- (2) Subsection 3205(1) does not apply to a bank that is an *affiliate* of a bank, loan or trust company, credit union, or other depository institution with a physical presence in Canada or in a foreign country in which the institution is subject to supervision by a banking or other similar regulatory authority.

3206. Establishing identity

- (1) For each *beneficial owner* or *individual* described in ~~subsections~~clauses 3203(1)(iii) and 3204(1)(iii), the *Dealer Member* must establish the identity of such *individual* by using such methods that allow the *Dealer Member* to form a reasonable belief it knows the identity of the *individual* and by taking reasonable measures to confirm the accuracy of the information obtained.
- (2) The *Dealer Member* ~~shall~~must keep a record that sets out the information obtained and the measures to confirm the accuracy of that information.
- (3) The identity of such *individual* in subsection 3206(1) must be established as soon as practicable but not more than 30 days after opening the account.
- (4) If the identity of such *individual* referred to in subsection 3206(1) cannot be established within 30 days of opening an account, the *Dealer Member* must restrict the account solely to liquidating trades, ~~transfers~~, paying out funds or delivering ~~securities~~out investment product positions. These account restrictions must remain in place until the *Dealer Member* establishes the *individual's* identity.

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,
 - (ii) an investment fund that is regulated under *securities laws*,
 - (iii) a Canadian financial institution (as described in sub-section 3207(2) below),
 - (iv) an *affiliate* of a Canadian financial institution (as described in sub-section 3207(2) below), if that *affiliate* carries out activities similar to that Canadian financial institution,
 - (v) a Schedule III bank,
 - (vi) a pension fund that is regulated by or under an Act of Parliament or the legislature of a province,
 - (vii) an entity that is a Canadian public body, or a corporation that has minimum net assets of \$75 million on its last audited balance sheet and whose shares are traded on a Canadian stock exchange or a stock exchange designated under section 262(1) of the Income Tax Act (Canada), and operates in a country that is a member of the Financial Action Task Force. For the purpose of clause 3207(1)(vii), the term “stock exchange” has the same interpretation as used in the Income Tax Act (Canada), or
 - (viii) an entity that is an *affiliate* of a public body or a corporation referred to in ~~paragraph~~clause 3207(1)(vii) above and the financial statements of the entity are consolidated with the financial statements of that public body or corporation.

- (2) A Canadian financial institution includes:
- (i) an association governed by the Cooperative Credit Associations Act (Canada) ~~or a central cooperative credit society for which an order has been made under section 473(1) of that Act~~, or
 - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada.

3208. Exemptions from Know-Your-Client

- (1) Clause 3202(1)(iii) and ~~subsection~~subsections 3209(4) and 3209(5) do not apply in respect to:
- (i) an *order execution only account*,
 - (ii) a *direct electronic access account*,
 - (iii) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account, or
 - (iv) an account held by an *institutional client*.

3209. Primary responsibility, delegation and obligation to keep current

- (1) Compliance with the *Corporation requirements* relating to know-your-client is primarily the responsibility of the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the client account.
- (2) The responsibility in subsection 3209(1) must not be delegated to any other *person*.
- (3) A *Dealer Member* must take reasonable steps to keep current the information required under Part A of Rule 3200, including updating the information within a reasonable time after the *Dealer Member* becomes aware of a significant change in the client's information required under section 3202.
- (4) A *Dealer Member* must review the information collected under clause 3202(1)(iii) no less frequently than once every 36 months, except for a *managed account* and a *discretionary account* which must be reviewed no less frequently than once every 12 months.
- (5) A Mutual Fund Dealer Member that is also registered under securities laws as an exempt market dealer must review the information collected under clause 3202(1)(iii) no less frequently than every 12 months when transacting in those investment products it is permitted to transact in pursuant to its registration as an exempt market dealer.

PART B – REQUIREMENTS FOR CLIENT ACCOUNTS

3210. Definitions

- (1) The following term has the meaning set out below when used in Rule 3200:

<p>“Client account records” <u>(documentation associée au compte du client)</u></p>	<p>Any information, disclosure statement or agreement the <i>Dealer Member</i> is required to provide to or obtain from the client in accordance with <i>Corporation requirements</i> or <i>applicable laws</i> including, but not limited to, the following:</p> <ul style="list-style-type: none"> (i) documentation supporting the conclusion that the client’s identity has been verified, (ii) documentation supporting the account appropriateness assessment, (iii) know-your-client information collected in accordance with <i>Corporation requirements</i>, and (iv) the client’s account application.
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3211. Account appropriateness

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

3212. Account information

- (1) For each account, the *Dealer Member* must obtain and maintain the applicable *client account records*.
- (2) For each *institutional client*, the *Dealer Member* must verify that the client qualifies as an *institutional client*.
- (3) The *Dealer Member* must record the account number on the account application.
- (4) Where accounts are received by the *Dealer Member* from an affiliated *Investment Dealer Member* or an affiliated *Mutual Fund Dealer Member*, the *Dealer Member* may use the documentation maintained by the *affiliate* firm to meet the requirement in subsection 3212(1) provided:
 - (i) the account offering and investment products and services to be made available to the client at the *Dealer Member* are materially the same as those at the *affiliate* firm,

- (ii) the following fees and charges associated with the account offering and investment products and services are the same or lower as those at the *affiliate* firm:
 - (a) account service fees and charges the client will or may incur relating to the general operation of the account, and
 - (b) charges the client will or may incur in making, disposing and holding investment products,
- (iii) the know-your-client information collected by the *Dealer Member* and the approach used by the *Dealer Member* to assess the know-your-client information collected are materially the same as at the *affiliate* firm, and
- (iv) the *affiliate* firm account agreement has an acceptable assignment clause that in substance protects the client's interests in the same manner as if the client had signed a new account agreement with the *Dealer Member*.

3213. Account opening policies and procedures

- (1) A *Dealer Member's* policies and procedures must specifically address:
 - (i) collecting and maintaining accurate, complete and up-to-date information about each client and updating that information where there are significant changes, and
 - (ii) ensuring the completion of *client account records* when opening new accounts.
- (2) A *Dealer Member* must:
 - (i) have policies and procedures to specifically address that documents supporting *client account records* are received within a reasonable time after opening an account,
 - (ii) have a system for recording pending account documentation and following up where it is not received within a reasonable time,
 - (iii) take specific action to obtain required documents that have not been received within 25 *business days* of opening the account, unless a shorter period is prescribed,
 - (iv) have policies and procedures independent of the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* for verifying significant changes to client information, and
 - (v) have a system in place to record the review and approval by the ~~designated~~ [Supervisor responsible for the opening of new accounts and the supervision of account activity](#).

3214. Opening new client accounts

- (1) A *Dealer Member* may only assign an account number to a new account if the full and accurate name and address of the client who holds the account is known to the *Dealer Member*; the complete account application must be received no later than the following *business day*.
- (2) The ~~designated~~ *Supervisor* must not approve a new account unless all *client account records* have been collected.
- (3) A ~~designated~~ *Supervisor* must approve each new account no later than one *business day* after completing the initial trade for the account.

- (4) A *Dealer Member* may use an alternative procedure to approve new accounts on an interim basis, provided the ~~designated~~ *Supervisor* provides final approval no later than one *business day* after the initial trade.
- (5) If a ~~designated~~ *Supervisor* does not approve a new account after the initial trade, the *Dealer Member* must restrict the account solely to only liquidating trades, transfers out, paying out funds or delivering securities to the client out investment product positions. These account restrictions must remain in place until the ~~designated~~ *Supervisor* has provided final approval of the account.
- (6) Before opening a new account for an *employee* of another Investment Dealer Member, ~~the an Investment Dealer Member~~ must obtain written approval from the other Investment Dealer Member, and must designate the account as *non-client account*.

3215. Updating client accounts

- (1) The *Dealer Member's* policies and procedures must specifically address that any significant changes to client information are approved in the same manner that an account application is approved for a new account.
- (2) If a client's *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* changes, the *Dealer Member's* procedures must require that:
 - (i) the new *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* verify the client information in the account application with the client as soon as practicable to ensure the information is correct, and
 - (ii) the new *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* and the ~~designated~~ *Supervisor* acknowledge, in writing, that the account application was reviewed and, if necessary, updated.
- (3) Subject to subsection 3215(4), if the client's account application was approved within the past 36 months, the *Dealer Member* may use a copy of a client's current account application to record any changes to a client's information, but must have the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* and their *Supervisor* initial any changes.
- (4) If the client's *managed account* or *discretionary account* application was approved within the past 12 months, the Investment Dealer Member may use a copy of a client's current *managed account* or *discretionary account* application to record any changes to a client's information, but must have the *Portfolio Manager* or *Associate Portfolio Manager* and their *Supervisor* initial any changes.
- (5) Where a Mutual Fund Dealer Member that is also registered under securities laws as an exempt market dealer is transacting in investment products it is permitted to transact in pursuant to its registration as an exempt market dealer, if the client's account application was approved within the past 12 months, the Mutual Fund Dealer Member may use a copy of the client's current account information to record changes to a client's information but must have the Registered Representative and their Supervisor initial any changes.
- (6) The *Dealer Member* must restrict the access of *Registered Representatives, Portfolio Managers* and *Associate Portfolio Managers* and other *persons* to its systems in such a

manner ~~so as~~ to ensure that material client information cannot be changed without the required approval.

3216. Relationship Disclosure

(1) Objective of relationship disclosure requirements

This section establishes the minimum requirements for the provision of relationship disclosure information to *retail clients*. *Dealer Members* are not required to provide relationship disclosure to *institutional clients*.

Relationship disclosure information is a written communication from the *Dealer Member* to the client describing the products and services offered by the *Dealer Member*, the nature of the account and the ~~manner in which~~ way the account will operate and the responsibilities of the *Dealer Member* to the client.

(2) Frequency of provision of relationship disclosure information

Relationship disclosure information must be provided to each *retail client*:

- (i) at the time of opening an account or accounts, and
- (ii) when there is a significant change to the relationship disclosure information previously provided to the client.

(3) Form of relationship disclosure information

- (i) *Dealer Members* have the choice of providing customized relationship disclosure information to each client, or appropriate standardized relationship disclosure information to separate classes of clients.
- (ii) Where standardized relationship disclosure information is provided to the client, the *Dealer Member* must ensure that the disclosure is appropriate for the client. The relationship disclosure information must accurately describe the account relationship the client has entered into with the *Dealer Member*.
- (iii) Where a client has more than one account, combined relationship disclosure information may be provided to the client ~~as long as if~~ the *Dealer Member* determines that the combined disclosure is appropriate for the client in light of the relevant circumstances, including the nature of the various accounts.

(4) Format of relationship disclosure information

- (i) The format of the relationship disclosure information is not prescribed but must:
 - (a) be provided to the client in writing,
 - (b) be written in plain language that communicates the information to the client in a meaningful way, and
 - (c) include all the required content set out in subsection 3216(5), or, where specific information has otherwise been provided to the client by the *Dealer Member*, a general description and a reference to the other disclosure materials containing the required information.
- (ii) *Dealer Members* may choose to provide the relationship disclosure information as a separate document or to integrate it with other account opening materials.

(5) Content of relationship disclosure information

- (i) The relationship disclosure information must be entitled “Relationship Disclosure”.
- (ii) Subject to clause 3216(5)(iii), the relationship disclosure information must contain the following:
 - (a) a general description of the types of products and services the *Dealer Member* will offer to the client including:
 - (I) a description of the restrictions on the client’s ability to liquidate or resell ~~a security~~an investment product, and
 - (II) a statement of the investment fund management expense fees or other ongoing fees the client may incur in connection with ~~a security~~an investment product or service the *Dealer Member* provides,
 - (b) a general description of any limits on the products and services the *Dealer Member* will offer to the client including:
 - (I) whether the firm will primarily or exclusively provide proprietary products to the client, and
 - (II) whether there will be other limits on the availability of products or services,
 - (c) a description of the account relationship that states:
 - (I) whether the account opened is an *advisory account*, a *managed account* or an *order execution only account*,
 - (II) whether the client is responsible for making investment decisions and, if so, the ~~manner in which~~way the client will instruct the *Dealer Member* to effect transactions for the account, and
 - (III) whether recommendations or advice will be provided to the client and, if so, the responsibilities and obligations of the *Dealer Member* and its *employees* for any recommendations or advice provided to the client,
 - (d) a description of the process used by the *Dealer Member* to determine suitability, including:
 - (I) a description of the approach used by the *Dealer Member* to assess the client’s personal and financial circumstances, investment needs and objectives, investment time horizon, risk profile and investment knowledge,
 - (II) a statement that the client will be provided with a copy of the “know-your-client” information that is obtained from the client and documented at time of account opening and when there are significant changes to the information,
 - (III) a statement that the *Dealer Member* will determine that any investment action it takes, recommends or decides on, for the client is suitable for the client and puts the client’s interest first, including when:
 - (A) ~~securities~~investment product positions are received into or delivered out of the client’s account by way of deposit, withdrawal or transfer,

- (B) there is a change in the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* responsible for the account,
 - (C) 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 the *retail client's* account not satisfying subsection 3402(1),
 - (D) the *Dealer Member* becomes aware of a change in ~~a security~~an investment product position in the *retail client's* account that could result in the account not satisfying subsection 3402(1), or
 - (E) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4),
- (IV) a statement indicating whether or not the suitability of the investments held in the account will be reviewed in the case of other triggering events not described in paragraph 3216(5)(ii)(d)(III) and, in particular, in the event of significant market fluctuations,
- (e) a description of the client account reporting that the *Dealer Member* will provide, including:
 - (I) a statement indicating when trade confirmations and account statements will be sent to the client,
 - (II) a description of the *Dealer Member's* minimum obligations to provide performance information to the client and a statement indicating when account position cost and account activity information will be provided to the client, and
 - (III) a statement indicating whether or not the provision of account percentage return information will be an option available to the client as part of the account service offering,
 - (f) a statement indicating that any *Dealer Member* and *Approved Person* existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, which are not avoided, will be addressed in the best interest of the client and will be disclosed, where required, to the client in a timely manner, upon identification of the conflict,
 - (g) a general description of any benefits received, or expected to be received, by the *Dealer Member* or the *Approved Person*, from a person or company other than the *Dealer Member's* client, in connection with the client's purchase or ownership of ~~a security~~an investment product position through the *Dealer Member*,
 - (h) a description of all account service fees and charges the client will or may incur relating to the general operation of the account,
 - (i) a description of all charges the client will or may incur in making, disposing and holding investments by type of *investment product*,

- (j) a general explanation of the potential impact on a client's investment returns from each of the fees and charges described in 3216(5)(ii)(a)(II), and 3216(5)(ii)(h) and (i), including the effect of compounding over time,
 - (k) a listing of the account documents required to be provided to the client with respect to the account,
 - (l) a description of the *Dealer Member's* complaint handling procedures and a statement that the client will be provided with a copy of a *Corporation* approved complaint handling process brochure at time of account opening,
 - (m) a general explanation of how investment performance benchmarks might be used to assess the performance of a client's investments and any options for benchmark information that might be made available to the client by the *Dealer Member*,
 - (n) a description of the circumstances under which a *Dealer Member* might disclose information about the client or the client's account to a *trusted contact person* referred to in subsection 3202(4), and
 - (o) a general explanation of the circumstances under which a *Dealer Member* or *Approved Person* may place a *temporary hold* under section 3222 and a description of the notice that will be given to the client if a *temporary hold* is placed or continued under that section.
- (iii) For *order execution only accounts*, the *Dealer Member* does not have to provide the relationship disclosure information required under sub-clause 3216(5)(ii)(d), provided that disclosure is made in compliance with the requirements in section 3241.
- (6) Review of relationship disclosure materials
- (i) The relationship disclosure information provided to the client must be approved by a partner, *Director*, *officer* or ~~*designated Supervisor*~~. This approval must occur regardless of the form the relationship disclosure information takes. If the document is a standardized document, the ~~*designated Supervisor*~~ must ensure that the correct document is used in each client circumstance. If the relationship disclosure information is a customized for each client, the ~~*designated Supervisor*~~ must approve each document.

3217. Leverage risk disclosure statement

- (1) When opening a new account for a *retail client*, prior to making an initial recommendation to a *retail client* to transact in or to purchase ~~securities~~investment products using borrowed money, or when first becoming aware of a *retail client's* intention to transact in derivatives or to purchase ~~securities~~other investment products using borrowed money, a *Dealer Member* must:
- (i) provide each *retail client* with a copy of the leverage risk disclosure statement, and
 - (ii) obtain the *retail client's* positive acknowledgement that they are in receipt of the disclosure statement referred to in clause 3217(1)(i).
- (2) A *Dealer Member* is not required to comply with subsection 3217(1) where it has provided the *retail client* with a leverage risk disclosure statement in accordance with subsection 3217(1) within the last six months.

- (3) A leverage risk disclosure statement must be in substantially the following words:
- “Using borrowed money to finance ~~the purchase of securities~~transacting in or purchasing investment products involves greater risk than using cash resources only. If you borrow money ~~to purchase securities~~, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the ~~securities~~investment products transacted in or purchased declines.”

3218. Pre-trade disclosure of charges

- (1) Before a *Dealer Member* accepts an instruction from a *retail client* to transact in or to purchase or sell ~~a security or precious metals bullion or to transact in derivatives~~investment products 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 transaction, 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 or closing transaction and the fee schedule that will apply,
 - (iii) whether the firm will receive trailing commissions, 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~~investment product.
- (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* transacts, purchases, or sells ~~or transacts~~ only as directed by a registered adviser acting for the client.

3219. Client mail

- (1) A *Dealer Member's* hold-mail account procedures for *retail clients* must, at a minimum, include the following provisions:
- (i) a requirement that the *Dealer Member* obtain written authorization from the client to “hold mail”,
 - (ii) a requirement that limits the length of time that a “hold mail” order may remain in force for no longer than six months, in any 12 -month period, and
 - (iii) a rule requiring the control and regular review of “hold mail” accounts by a *Supervisor*.
- (2) Notwithstanding clause 3219(1)(ii), a longer period may be used if:
- (i) it is permitted by the *Dealer Member's* policies and procedures,
 - (ii) the *Dealer Member* has policies and procedures that specifically address the close supervision of such accounts, and
 - (iii) the appropriate *Supervisor* pre-approves the extended period.
- (3) A *Dealer Member's* returned mail procedures for *retail clients* must at a minimum include the following provisions:

- (i) a rule requiring the control and investigation by a *person* independent of the sales function, but may be located within a *business location*, and
- (ii) a rule requiring that a record of all investigations and their results be maintained.

3220. Record keeping

- (1) A *Dealer Member* must maintain records for each account that includes:
 - (i) *client account records*,
 - (ii) the name and address of the account guarantor, if applicable, and
 - (iii) a signed trading authorization from the account holder authorizing a *person*, other than the account holder, to give trading instructions for the account, if applicable.
- (2) The *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager* responsible for an account must retain a current copy of each account application. This requirement can be satisfied by a *Dealer Member* maintaining the information in an electronic application accessible to the *Registered Representative, Portfolio Manager* or *Associate Portfolio Manager*.
- (3) A *Dealer Member* must maintain all *client account records* in accordance with the record retention requirements in section 3803.
- (4) A *Dealer Member* must maintain a record of *persons* with trading authorization over one or more client accounts and must ensure that such record is sufficient to allow the *Dealer Member* to identify any *persons* with trading authorization for multiple clients or client accounts.

3221. Prohibition against discretionary trading

- (1) For the purposes of Rule 3200, a *Dealer Member* must ensure that *individuals* trading on its behalf do not engage in any discretionary trading, including time and price discretion, unless discretion is exercised in a *discretionary account* or *managed account* in accordance with the requirements set out in Part G of Rule 3200.
- (2) Subsection 3221(1) does not apply to time and price discretion exercised in fulfilling the *Dealer Member's best execution* obligation relating to a client order for a specific amount or a specific [security investment product](#).

3222. Conditions for temporary holds

- (1) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of *financial exploitation* of a *vulnerable client*, unless the *Dealer Member* reasonably believes all of the following:
 - (i) the client is a *vulnerable client*,
 - (ii) *financial exploitation* of the client has occurred, is occurring, has been attempted or will be attempted.
- (2) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of a client's lack of mental capacity unless the *Dealer Member* reasonably believes that the client does not have the mental capacity to make decisions involving financial matters.

- (3) If a *Dealer Member* or an *Approved Person* places a temporary hold referred to in subsection 3222(1) or subsection 3222(2), the *Dealer Member* must do all of the following:
- (i) document the facts and reasons that caused the *Dealer Member* or *Approved Person* to place, and if applicable, to continue the *temporary hold*,
 - (ii) provide notice of the *temporary hold* and the reasons for the *temporary hold* to the client as soon as possible after placing the *temporary hold*,
 - (iii) review the relevant facts as soon as possible after placing the *temporary hold*, and on a reasonably frequent basis, to determine if continuing the hold is appropriate,
 - (iv) within 30 days of placing the *temporary hold* and, until the hold is revoked, within every subsequent 30-day period, do either of the following:
 - (a) revoke the *temporary hold*,
 - (b) provide the client with notice of the *Dealer Member's* decision to continue the hold and the reasons for that decision.

3223. – 3229. Reserved.

PART C – ADVISORY ACCOUNTS

3230. Rules applicable to advisory accounts

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens an *advisory account* for a *retail client* must comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens an *advisory account* for an *institutional client* must:
 - (i) comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200, ~~with the exception of~~except for 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.

3231. – 3239. Reserved.

PART D – ORDER EXECUTION ONLY ACCOUNTS

3240. Rules applicable to order execution only accounts

- (1) For the purposes of Rule 3200, ~~a~~an *Investment* *Dealer Member* that opens an *order execution only account* for a *retail client* must comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200.
- (2) For the purposes of Rule 3200, ~~a~~an *Investment* *Dealer Member* that opens an *order execution only account* for an *institutional client* must:
 - (i) comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200, ~~with the exception of~~except for 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.

3241. Order execution only account services

- (1) An Investment Dealer Member approved by the Corporation to provide order execution only account services within either a separate legal entity or a separate business unit, must:
 - (i) implement the policies and procedures required by Corporation requirements, and
 - (ii) not allow its order execution only account service clients to:
 - (a) use their own automated order system, as defined in securities laws, to generate orders to be sent to the Investment Dealer Member or send orders to the Investment Dealer Member on a pre-determined basis, or
 - (b) manually send orders or generate orders to the Investment Dealer Member that exceed the threshold on the number of orders as set by the Corporation from time to time,
 - (iii) not provide order execution only account services to any person that is not an individual and is acting as and, registered or exempted from registration as a dealer in accordance with securities laws, and trades on a Marketplace for which the Corporation is the regulation services provider.
- (2) Despite clause 3241(1)(iii), an Investment Dealer Member may provide an order execution only account service to a person that is exempted from registration as a dealer under section 8.4 of National Instrument 31-103.
- (3) An Investment Dealer Member approved by the Corporation to provide order execution only account services must, prior to opening an order execution only account:
 - (i) provide the following written disclosures to the client:
 - (a) a statement confirming that the Investment Dealer Member will not provide any recommendations to the client and that the client is solely responsible for making all investment decisions in the order execution only account,
 - (b) a statement confirming that the Investment Dealer Member will not be responsible for making a suitability determination for the client, as set out in sections 3402 or 3403 (other than as required by clauses 3402(3)(i) and 3403(4)(i)), and, in particular, that the Investment Dealer Member will not consider the client's personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon, nor other similar factors, and
 - (c) a statement confirming that the Investment Dealer Member will not be responsible for making a determination that the products and account types offered by the Investment Dealer Member in the order execution only account are appropriate for the client,

and
 - (ii) obtain a positive acknowledgement from the client, and each beneficial owner of the account, confirming that the client, and each beneficial owner, has received and understood the disclosures described in clause 3241(3)(i).
- (4) The Investment Dealer Member must maintain, in an accessible form, a record of the acknowledgement obtained under clause 3241(3)(ii) in the following form:

- (i) the client's signature or initials on a new client form or other document, specifically related to the disclosure and acknowledgement,
 - (ii) an electronic acknowledgement attached to the disclosure and acknowledgement text, or
 - (iii) a tape recording of a verbal acknowledgement.
- (5) The Investment Dealer Member must ensure that a client identifier is assigned to each client that trades on a *Marketplace* for which the *Corporation* is the regulation services provider whose trading activity on *Marketplaces* for which the *Corporation* is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month.
- (6) The Investment Dealer Member must ensure that a unique identifier is assigned to any *adviser* that trades on a *Marketplace* for which the *Corporation* is the regulation services provider and that:
- (i) is itself a *client* of the Investment Dealer Member, or
 - (ii) has been granted trading authority, direction or control over an account of a *client* of the Investment Dealer Member.
- (7) The Investment Dealer Member must ensure that a unique identifier is assigned to any *foreign adviser equivalent* that trades on a *Marketplace* for which the *Corporation* is the regulation services provider and that:
- (i) is itself a *client* of the Investment Dealer Member, or
 - (ii) has been granted trading authority, direction or control over an account of a *client* of the Investment Dealer Member.
- (8) The client identifier required in subsection 3241(5), clause 3241(6)(i) and clause 3241(7)(i) must be in the form of:
- (i) a *Legal Entity Identifier* for clients eligible to receive a *Legal Entity Identifier* under the standards set by the *Global Legal Entity Identifier System*, or
 - (ii) an account number for all other client orders not included under subsection 3241(5), clause 3241(6)(i) and clause 3241(7)(i).
- (9) If an account number is used as the client identifier under clause 3241(8)(ii), the Investment Dealer Member must provide the account number and the name of the corresponding client to the *Corporation*.
- (10) The Investment Dealer Member must provide each unique identifier assigned pursuant to clause 3241(6)(ii) and clause 3241(7)(ii) and the name of the corresponding firm to the *Corporation*.
- (11) For clients using an *order execution only account* that are not referred to under subsection 3241(5), clause 3241(6)(i), or clause 3241(7)(i), the Investment Dealer Member must use an account number as the client identifier.
- (12) The Investment Dealer Member must ensure that each order in a listed security entered on a *Marketplace* for which the *Corporation* is the regulation services provider contains:
- (i) the *Legal Entity Identifier* of the Investment Dealer Member if it is a non-executing Investment Dealer Member that is not a *Participant*, and

- (ii) a designation to indicate the order is for an *order execution only account*.
- (13) The Investment Dealer Member must ensure that each order in a *listed security* entered on a *Marketplace* for which the *Corporation* is the regulation services provider contains either:
- (i) the identifier required under subsection 3241(5), clause 3241(6)(i), clause 3241(7)(i) or subsection 3241(11), or
 - (ii) a designation to indicate the order is a *bundled order* or a *multiple client order*.
- (14) The Investment Dealer Member must ensure that each order entered on a *Marketplace* for which the *Corporation* is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to clause 3241(6)(i) or clause 3241(7)(i) contains the unique identifier assigned to that firm.
- (15) The Investment Dealer Member must ensure that each order entered on a *Marketplace* for which the *Corporation* is the regulation services provider by or on behalf of an account over which an *adviser* or *foreign adviser equivalent* has been granted trading authority, direction or control and an identifier was assigned pursuant to clause 3241(6)(ii) or clause 3241(7)(ii) contains the identifier assigned to that firm.
- (16) Despite the requirement to include a client identifier assigned under subsection 3241(5) on an order sent to a *Marketplace*:
- (i) if an *adviser* is assigned a unique identifier pursuant to clause 3241(6)(ii), each order entered by or on behalf of an account, over which that *adviser* has been granted trading authority, direction or control, on a *Marketplace* for which the *Corporation* is the regulation services provider must contain the unique identifier assigned to that *adviser*, or
 - (ii) if a *foreign adviser equivalent* is assigned a unique identifier pursuant to clause 3241(7)(ii), each order entered by or on behalf of an account over which that *foreign adviser equivalent* has been granted trading authority, direction or control, on a *Marketplace* for which the *Corporation* is the regulation services provider must contain the unique identifier assigned to that *foreign adviser equivalent*.
- (17) The non-executing Investment Dealer Member that is not a *Participant* must ensure that the registration status of its *Legal Entity Identifier* has not lapsed.
- (18) ~~A~~ An Investment Dealer Member approved by the *Corporation* to provide *order execution only account* services within either a separate legal entity or a separate business unit, must ensure that:
- (i) its order-entry systems and records are capable of labeling all account documentation, including monthly statements and confirmations, as “order execution only accounts” or other similar phrase, and
 - (ii) the client monthly statements of its *order execution only account* services are not consolidated with any other client account statements, including those of any other business unit of the Investment Dealer Member or of the Investment Dealer Member itself.

3242. – 3244. Reserved.

PART E – MARGIN ACCOUNTS

3245. Rules applicable to margin accounts

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens a margin account for a *retail client* must comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens a margin account for an *institutional client* must:
 - (i) comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200, ~~with the exception of~~except for 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.

3246. Margin requirements - when to extend margin to clients

- (1) In deciding whether to allow a client to trade on margin, a *Dealer Member* must ensure that the client is aware of the risks and benefits associated with trading on margin.

3247. Margin account agreement

- (1) Prior to opening a margin account, a *Dealer Member* must:
 - (i) deliver a margin account agreement to the client, and
 - (ii) obtain a copy of the margin account agreement signed by the client.
- (2) A *Dealer Member's* margin account agreement must, at a minimum, contain a written description of the following rights and obligations:
 - (i) the client's obligation to pay their indebtedness to the *Dealer Member* and to maintain adequate margin,
 - (ii) the client's obligation to pay interest on debit balances in their account,
 - (iii) the *Dealer Member's* right to raise money on and pledge assets held in the client's account,
 - (iv) the extent to which the *Dealer Member* has the 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,
 - (v) the *Dealer Member's* right to sell assets in the client's account and make purchases to cover short sales. If the client requires prior notice, the *Dealer Member* must set out the nature of the notice and the client's obligations to remedy any deficiency,
 - (vi) the extent of the *Dealer Member's* right, if any, to use ~~a~~securityan investment product in the client's account for delivery against a short sale,
 - (vii) the extent to which the *Dealer Member* has the right, if any, to use ~~a~~securityan investment product in the client's account for delivery against a short sale in an account owned or controlled by the *Dealer Member*, a partner or *Director*,
 - (viii) the extent of the *Dealer Member's* right to use assets in the client's account and to hold them as collateral for the client's debt, and

- (ix) the *Dealer Member's* obligation to carry out all transactions in accordance with *Corporation requirements* and, where applicable, the requirements of the marketplace on which the transaction has been executed.

3248. – 3249. Reserved.

**PART F – ADDITIONAL ACCOUNT OPENING AND UPDATING PROCEDURES FOR DERIVATIVES
TRADING ACCOUNTS**

3250. Rules applicable to derivatives accounts

- (1) For the purposes of Rule 3200, ~~an~~ An Investment *Dealer Member* that opens a *derivatives* 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, ~~an~~ An Investment *Dealer Member* that opens a *derivatives* 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~~ except for 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~~ An Investment *Dealer Member* must ensure that *persons* trading on its behalf or advising clients in *derivatives* accounts meet minimum proficiency requirements.

OPTIONS ACCOUNTS

3251. ~~Additional requirements when opening~~ Accepting a derivatives account

- (1) ~~Before executing an initial~~ To accept *derivatives* transaction in an account, whether the account is an ~~advisory account, a discretionary account, a managed account or an order execution only account,~~ accounts:
 - (i) ~~the~~ the Investment *Dealer Member* must:
 - (i) ~~obtain a completed~~ *derivatives* account application from the client, ~~and~~
 - (ii) ~~obtain a completed and signed~~ the Investment Dealer Member must enter into a *derivatives* trading agreement ~~from~~ with the client prior to:
 - (a) accepting the account as a derivatives account,
 - and
 - (b) executing an initial derivatives transaction in the account,
 - (iii) the Investment Dealer Member must provide the client with the most recent *derivatives* disclosure statement or similar disclosure document, ~~and~~
 - (iv) ~~record the relevant designated Supervisors' approval in writing.~~
- (2) ~~The relevant designated 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 Supervisors should restrict the account from using inappropriate strategies and note on the 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.~~

3252. Derivatives trading agreement

- (1) ~~An Investment~~ Dealer Member's 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 Investment 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 Investment Dealer Member's 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 conditions under which the Investment Dealer Member may apply the client's funds, ~~securities~~investment product positions or other property in the account or any other accounts of the client to satisfy outstanding debts or margin calls,
 - (v) the Investment Dealer Member's 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 Investment 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) where discretionary authority is given to the Investment Dealer Member:
 - (a) disclosures explaining the discretionary authority that has been given,
 - (b) the client's acknowledgement that isit 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 *Investment Dealer Member*,
- (c) pay commission or other compensation, if any,
- (d) pay interest, if any, on account debit balances,
- (ix) the *retail 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 *Investment Dealer Member*'s deadlines for a client to submit an exercise notice,
 - (b) the method the *Investment Dealer Member* will use to distribute assignment notices,
 - (c) disclosures indicating that:
 - (I) the *Investment Dealer Member* may set maximum limits on short positions,
 - (II) the *Investment Dealer Member* may apply cash-only terms during the last 10 days before expiry, and
 - (III) the *Corporation* may impose other rules affecting existing or subsequent transactions,
 - (d) the client's obligation to instruct the *Investment Dealer Member* to close out positions before expiry,
- (xii) for futures contracts, forward contracts, contracts for difference and similar *derivatives*, disclosures indicating that the *Investment 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 *Investment 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 *derivatives*; or highly-leveraged *securities* or *derivatives*,
 - (ii) applies to an 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.

3253. Letter of undertaking

- (1) Instead of a *derivatives* trading agreement, ~~A~~An Investment Dealer Member may obtain a letter of undertaking for accounts where the client is classified as an institutional client.
- (2) The letter of undertaking must state:
 - (i) that the client agrees to comply with *Corporation requirements*, any *applicable laws*, and the requirements of any entity through which the *derivative* is traded, cleared, or issued, including, without limitation, position limit, and exercise 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~~investment product positions or other property may be made between accounts, unless these conditions are acknowledged by the client in another document.

3254. Derivatives risk disclosure statement

- (1) ~~A~~An Investment Dealer Member must:
 - (i) provide each *derivatives retail client* with the most recent *derivatives* risk disclosure statement or other similar document, approved by *Corporation* before accepting an initial *derivatives* order from the client,
 - (ii) obtain the client's acknowledgement of receipt of the statement or document provided under clause 3254(1)(i),
 - (iii) provide each *derivatives retail client* with any amendments to the statement or document provided under clause 3254(1)(i),
 - (iv) maintain a record of the names and addresses of all clients to whom it has provided the statement, or similar document 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.

3255. Position and exercise limits

- (1) ~~A~~An Investment Dealer Member must comply with the requirements of any entity through which the *derivative* is traded, cleared, or issued, including, without limitation, reporting, position limit and exercise limit requirements.

3256. Futures porting disclosures

- (1) Where the client account is subject to a *futures segregation and portability customer protection regime*, [an Investment 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 3256(1)(i), and
 - (iii) notify the client of the obligation of the [Investment Dealer Member](#) to provide the clearing corporation with information and reports related to the client’s positions.

3257. – 3269. Reserved.

PART G – DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS**3270. Definitions**

- (1) The following term has the meaning set out below when used in sections 3271 through 3281:

<p>“responsible person” (personne responsable)</p>	<p>A partner, <i>Director, officer, employee or agent</i> of an Investment Dealer Member who:</p> <ul style="list-style-type: none"> (i) exercises discretionary authority over the account of a client or approves discretionary orders for an account when exercising such discretion or giving such approval pursuant to sections 3273 through 3276, or (ii) participates in the formulation of, or has prior access information regarding investment decisions made on behalf of or advice given to a <i>managed account</i> but does not include a sub-adviser under section 3279.
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3271. Rules applicable to discretionary accounts and managed accounts

- (1) For the purposes of Rule 3200, [an Investment Dealer Member](#) that accepts a *discretionary account* or a *managed account* for a *retail client* must comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200.
- (2) For the purposes of Rule 3200, [an Investment Dealer Member](#) that opens a *discretionary account* or a *managed account* for an *institutional client* must:
- (i) comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200, ~~with the exception of~~[except for](#) 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) The [Investment Dealer Member](#) must ensure that *individuals* trading or advising on its behalf, in *discretionary accounts* or *managed accounts*, meet the applicable proficiency requirements.

3272. Reserved.

DISCRETIONARY ACCOUNTS

3273. Accepting a discretionary account

- (1) To accept *discretionary accounts*:
 - (i) the Investment Dealer Member must ~~designate one or more designated Supervisors, who meet the proficiency requirements set out in Rule 2600, to be responsible for the~~obtain a completed discretionary accounts~~account application from the client,~~
 - (ii) the ~~Dealer Member's policies and procedures must specifically address the supervision and operation of discretionary accounts in accordance with Rule 3900;~~
 - ~~(iii) the Dealer Member must identify discretionary accounts in its books and records to allow supervision of the discretionary accounts in accordance with Rule 3900;~~
 - ~~(iv) the~~Investment Dealer Member must enter into a *discretionary account* agreement with the client prior to :
 - (a) accepting the account as a discretionary account;
 - ~~(v) the designated Supervisor must approve the account as a discretionary account and approve the discretionary account agreement signed by the client, and~~
 - ~~(vi) the Dealer Member must maintain a record of the designated Supervisor's approval in accordance with the record retention requirements in section 3803~~
 - (b) engaging in trading in the account.

3274. Discretionary account agreement

- (1) A *discretionary account* agreement must:
 - (i) define the extent of the discretionary authority given to the Investment Dealer Member by the client,
 - (ii) include any restrictions on the discretionary authority,
 - (iii) have a maximum term of no longer than 12 months,
 - (iv) not be renewable, and
 - (v) set out the terms of termination in accordance with subsection 3274(2).
- (2) A *discretionary account* agreement may only be terminated by written notice:
 - (i) by the client, effective when received by the Investment Dealer Member, except for orders entered prior to receipt of the notice, or
 - (ii) by the Investment Dealer Member, effective not less than 30 days from the date the Investment Dealer Member delivered the notice to the client.

3275. Persons authorized to affect discretionary trades

- (1) A *Registered Representative* may only be authorized to affect trades for a *discretionary account* if:
 - (i) the *Registered Representative* has at least two years of active experience in trading, advising or performing analysis with respect to all types of products that are to be traded on a discretionary basis, and

- (ii) the *discretionary account* is maintained at the Investment Dealer Member on whose behalf the *Registered Representative*, conducts business.

3276. Conflicts of interest

- (1) A *discretionary account* must not hold any publicly traded securities of the Investment Dealer Member or its affiliates.
- (2) A *responsible person* or a Investment Dealer Member must not trade for his or her or the Investment Dealer Member's own account, or knowingly permit or arrange any *associate* or *affiliate* to trade, in reliance upon information relating to trades made or to be made in a *discretionary account*.
- (3) A *responsible person* or a Investment Dealer Member must not, without the prior written consent of the client, knowingly allow a *discretionary account* to:
 - (i) invest in a security or *derivative* of a security of an issuer if the *individuals* authorized under subsection 3275(1) to deal with *discretionary accounts* is an officer or director of the issuer, unless the position with the issuer is disclosed to the client, or
 - (ii) invest in new issues or secondary offerings underwritten by the Investment Dealer Member.
- (4) A *responsible person* or a Investment Dealer Member must not allow a *discretionary account* to provide a guarantee or loan to a *responsible person* or an *associate* of a *responsible person*.

MANAGED ACCOUNTS

3277. ~~Opening~~Accepting a managed account

- (1) To accept *managed accounts*:
 - (i) the Investment Dealer Member must ~~designate a Supervisor to be responsible for obtain a completed managed accounts account application from the client,~~
 - ~~(ii) the Dealer Member's policies and procedures must specifically address the supervision and operation of managed accounts in accordance with Corporation requirements,~~
 - ~~(iii) the~~
 - (ii) the Investment Dealer Member must enter into a *managed account* agreement with the client prior to ~~opening a managed~~:
 - (a) accepting the account;
 - ~~(iv) the designated Supervisor must approve each as a managed account in writing,~~
 - ~~(v) the Dealer Member must retain a record of the designated Supervisor's approval, and~~
 - ~~(vi) the~~ engaging in trading in the account.
 - (iii) the Investment Dealer Member must provide the client with a copy of its policy ensuring fair allocation of investment opportunities.

3278. Managed account agreement

- (1) The *managed account* agreement must:
 - (i) describe or refer to the client's personal and financial circumstances, investment knowledge, investment time horizon, investment needs and objectives and risk profile that are applicable to the *managed account* or accounts,
 - (ii) describe any investment restrictions imposed by the client, where permitted by the Investment Dealer Member, and
 - (iii) set out the terms of termination in accordance with subsection 3278(2).
- (2) The *managed account* agreement may only be terminated by written notice:
 - (i) by the client, effective on receipt by the *Dealer Member*, except for transactions entered prior to receipt of the notice, or
 - (ii) by the Investment Dealer Member, effective not less than 30 days from the date the Investment Dealer Member delivered the notice to the client.

3279. Persons authorized to deal with managed accounts

- (1) ~~A~~ An Investment Dealer Member must designate an *individual* authorized to deal with *managed accounts* who is:
 - (i) a *Portfolio Manager*,
 - (ii) an *Associate Portfolio Manager*, or
 - (iii) a sub-advisor with whom the Investment Dealer Member has entered into a written sub-advisor agreement.
- (2) The sub-advisor in clause 3279(1)(iii) must be:
 - (i) registered or licensed, or operating under an exemption from registration or licensing, under *securities laws* of the jurisdiction in which its head office or principal place of business is located, that permits it to carry on *managed account* activities, or its equivalent, in such jurisdiction, and
 - (ii) subject to legislation or regulations containing conflict of interest provisions at least equivalent to those set out in section 3280 or has entered into an agreement with the Investment Dealer Member that it will comply with section 3280.

3280. Conflicts of interest

- (1) A *responsible person* or ~~a~~ an Investment Dealer Member must not trade for their or the Investment Dealer Member's own account, or knowingly permit or arrange any *associate* or *affiliate* to trade, in reliance upon information relating to trades made or to be made in a *managed account*.
- (2) A *responsible person* or ~~a~~ an Investment Dealer Member must not, without the prior written consent of the client, knowingly allow a *managed account* to:
 - (i) invest in a security or *derivative* of a security of an issuer that is related or connected to a *responsible person* or to the Investment Dealer Member,
 - (ii) invest in a security or *derivative* of a security of an issuer if the *individuals* authorized under subsection 3279(1) to deal with *managed accounts* is an officer or director of the issuer, unless the position with the issuer is disclosed to the client, or

- (iii) invest in new issues or secondary offerings underwritten by the Investment Dealer Member.
- (3) A *responsible person* or ~~an~~ Investment Dealer Member must not knowingly cause any *managed account* to:
 - (i) purchase or sell a security or *derivative* of a security of an issuer from or to the account of a *Portfolio Manager*, an *Associate Portfolio Manager* or an *associate* of a *Portfolio Manager* or an *associate* of an *Associate Portfolio Manager*,
 - (ii) purchase or sell a security or *derivative* of a security of an issuer from or to an investment fund for which a *responsible person* acts as an adviser, or
 - (iii) provide a guarantee or loan to a *responsible person* or an *associate* of a *responsible person*.
- (4) ~~A~~ An Investment Dealer Member must fairly allocate investment opportunities among its *managed accounts*.

3281. Fees and remuneration

- (1) ~~A~~ An Investment Dealer Member may not charge a client directly for services rendered to the *managed account*, that is:
 - (i) based upon the volume or value of transactions in the account initiated for the account, or
 - (ii) contingent upon profit or performance of the client's account, unless the client has provided the Investment Dealer Member with a written agreement which sets out the ~~manner in which~~ way the fees may be charged based on volume or value of transactions or contingent upon profit or performance.
- (2) ~~A~~ An Investment Dealer Member must not compensate a *person* referred to in section 3279, ~~based on the basis of~~ the value or volume of transactions in the account.

3282. ~~—~~3299. Reserved.

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

3301. Product Due Diligence

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

3304. - 3399. Reserved.

RULE 3400 | SUITABILITY DETERMINATION

3401. Introduction

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

3402. Retail client suitability determination requirements

- (1) Before a *Dealer Member*:
- (i) transacts in, purchases, sells, withdraws, exchanges or transfers-out ~~securities or precious metals bullion, or transacts in derivatives~~ investment products for a retail client's account,
 - (ii) takes any other investment action for a client, or
 - (iii) 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:
- (iiv) 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~~ investment product, 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~~ investment products, within the account and ~~the their~~ 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* as applicable, through the *Dealer Member* at the time the determination is made, and
 - (iiv) 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~~ investment products 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~~ investment product positions are received or delivered into the client's account by way of deposit or transfer-in,
 - (ii) ~~there is a change in the~~ *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~~ an investment product position, 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, an investment product position~~ in the *retail client's* account that could result in the ~~security, derivative or precious metals bullion~~investment product position, or account not satisfying subsection 3402(1), or
 - (v) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4).
- (3) ~~A Dealer Member must determine, on a reasonable basis and putting the retail client's interest first, that:~~
- (i) ~~it is suitable for the retail client to continue having an account with the Dealer Member, and~~
 - (ii) ~~the scope of products, services and account relationships which the retail client has access to within the account are suitable for the retail client.~~
- (4) When making a suitability determination pursuant to subsection 3402(1), a *Dealer Member* must determine, on a reasonable basis, that the *retail client's* account portfolio of investments that would result from the investment action the *Dealer Member* takes, recommends or exercises discretion to take is suitable for the *retail client* and puts the *retail client's* interest first.
- (5) ~~Despite~~if after performing a suitability determination pursuant to subsection 3402(1), ~~if~~ a *Dealer Member* receives an instruction from a *retail client* to take an action that, if taken, does not satisfy ~~subsections~~subsection 3402(1), the *Dealer Member* may carry out the *retail client's* instruction if the *Dealer Member* has:
- (i) informed the *retail client* of the basis for the determination that the action will not satisfy subsection 3402(1) and advised the client against proceeding with the order,
 - (ii) recommended to the *retail client* an alternative action that satisfies subsection 3402(1), and
 - (iii) received recorded confirmation of the *retail client's* instruction to proceed with the action despite the determination referred to in clause ~~3402(5)~~3402(4)(i).
- (5) If after performing a suitability determination pursuant to subsection 3402(1) a Dealer Member has determined that an action taken for a retail client does not satisfy subsection 3402(1), the Dealer Member must:
- (i) advise the retail client,
 - (ii) make recommendations to address any inconsistencies, and
 - (iii) maintain evidence of such recommendations.
- (6) A Dealer Member must have policies and procedures to assess the appropriateness of a retail client's leverage strategies and set out the process of approval of such strategies, and related documentation requirements.
- (7) The policies and procedures established by the Dealer Member under subsection 3402(6) must be effective in detecting and preventing leverage strategies that are unsuitable.
- (8) A Dealer Member must determine, on a reasonable basis and putting the retail client's interest first, that:

(i) it is suitable for the *retail client* to continue having an account with the *Dealer Member*, and

(ii) the scope of products, services and account relationships which the *retail client* has access to within the account are suitable for the *retail client*.

3403. Institutional client suitability determination requirements

- (1) Subject to the applicable exemptions set out in section 3404, a suitability determination must be made for an *institutional client*:
 - (i) before any order is accepted from the client, and
 - (ii) before a recommendation is made to the client to transact in or to purchase, sell, exchange or hold ~~a security or precious metals bullion, or transact in any derivative~~another investment product.
- (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~~investment product,
 - (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~~investment product under consideration, including the client's ability to independently evaluate how market developments would affect the ~~security, derivative or precious metals bullion~~investment product and ancillary risks such as currency rate risk, and
 - (vii) the complexity of the ~~securities, derivatives or precious metals bullion~~investment product involved.
- (3) Once each suitability determination has been made and:
 - (i) the *Dealer Member* has reasonable grounds for concluding that the *institutional client* is capable of making an independent investment decision and independently evaluating the investment risk, then the *Dealer Member's* suitability obligation is fulfilled for that transaction, or
 - (ii) the *Dealer Member* does not have reasonable grounds for concluding that the *institutional client* is capable of making an independent investment decision and

independently evaluating the investment risk, then the *Dealer Member* must take steps to ensure that the *institutional client* fully understands the *investment product*, including the potential risks.

- (4) A *Dealer Member* must determine, on a reasonable basis and putting the *institutional client's* interest first, that:
- (i) it is suitable for the *institutional client* to continue having an account with the *Dealer Member*, and
 - (ii) the scope of products, services and account relationships which the *institutional client* has access to within the account are suitable for the *institutional client*.

3404. Exemptions from the suitability determination requirements

- (1) Other than clauses 3402(3)(i) and 3403(4)(i), sections 3402 or 3403 do not apply in respect to:
- (i) an *order execution only account*, or
 - (ii) a *direct electronic access account*.
- (2) Sections 3402 and 3403 do not apply in respect to an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account.
- (3) Other than subsection 3403(4), section 3403 does not apply in respect to:
- (i) an account held by a *Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company*, or
 - (ii) an account held by a 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*.

3405. Reserved.

3406. Primary responsibility and delegation

- (1) Compliance with *Corporation requirements* relating to suitability determination is primarily the responsibility of the *Registered Representative, Portfolio Manager or Associate Portfolio Manager* assigned to the client account.
- (2) *Registered Representatives, Portfolio Managers and Associate Portfolio Managers* must not delegate their responsibility for suitability assessment obligations to any other *person*.

3407 - 3499. Reserved.

RULE 3500 | SALES PRACTICES

3501. Introduction

- (1) Rule 3500 sets out minimum standards that *Dealer Members* must follow in their dealings with clients and when developing policies and procedures that specifically address sales practices.

3502. Definitions

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

“commencement of distribution” <u>(début du placement)</u>	The time when a <u>an</u> <u>Investment Dealer Member</u> has had <i>distribution discussions</i> which are of sufficient specificity that it is reasonable to expect that the <u>Investment Dealer Member</u> (alone or with other underwriters) will propose an underwriting of <i>equity securities</i> to the issuer or selling security-holder.
“distribution” <u>(placement)</u>	The same meaning as defined under <i>securities laws</i> and includes a distribution pursuant to a bought deal agreement.
“distribution discussions” <u>(discussions de placement)</u>	Discussions by a <u>an</u> <u>Investment Dealer Member</u> with an issuer or a selling security-holder, or with another underwriter that has had discussions with an issuer or selling security-holder, concerning a <i>distribution</i> .

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~~investment product 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.
- (3) Where investment decisions are made centrally and applied across a number of *managed accounts*, subsections 3503(1) and 3503(2) do not apply to the *managed accounts* of partners, *Directors*, *officers*, *employees* or *Approved Persons* of a *Dealer Member* who participate in a *managed account* program on the same basis as client accounts.

3504. Commission fees, service fees and other account related fees

- (1) Upon the opening of an account, or 60 days prior to any fee being charged with respect to the account, a *Dealer Member* must provide each client with a fee schedule relating to any:
- (i) fixed dollar or fixed percentage commission fees,
 - (ii) service fees,
 - (iii) administrative fees, and
 - (iv) other account charges.
- (2) A *Dealer Member* who charges any of the fees identified in subsection 3504(1) may not charge a higher fee unless it has given 60 days’ notice of this change to its clients.

- (3) A Dealer Member must disclose to clients whether interest will be paid on client cash held in trust and the rate. Notwithstanding this requirement, the Dealer Member may retain the interest earned in excess of the amount of interest payable to the client. The Dealer Member may only revise the rate of interest upon the delivery of at least 60 days written notice to the client.
- (4) The requirements set out in subsections 3504(1) and (2) do not apply to accounts of *institutional clients*.
- (45) The disclosure requirements set out in subsections 3504(1) and (2) do not apply to interest charged by a *Dealer Member* in respect of an account.
- (56) A *Dealer Member* may not charge a client a fee that is contingent upon the profit or performance of the client's account, unless specifically permitted under *Corporation requirements*.

3505. Payment of commission fees

- (1) Unless otherwise permitted under *securities laws*, a *Dealer Member* must not pay any commission fees or other fees in connection with payments received from a client or issuer, to any *person* other than a *Registered Representative, Investment Representative, Portfolio Manager or Associate Portfolio Manager*.

3506. During the period of distribution

- (1) During the period of *distribution*, ~~an~~ An Investment Dealer Member who participates in a *distribution* as an underwriter or as a member of a banking or selling group, must not offer for sale or accept any offer to buy all or any part of those securities at a price higher than the stated initial public offering price of the securities, and
- (2) This obligation continues until the Investment Dealer Member has notified the applicable securities commission that its role in the *distribution* has ended.

3507. New issues

- (1) For the purpose of section 3507, the term "normal investment practice" does not include an account that has regularly purchased "hot issues" based on the history of investments in that account with the Investment Dealer Member.
- (2) ~~A~~ An Investment Dealer Member must make a bona fide offering of the total amount of its participation in a new issue to public investors.
- (3) Public investors do not include an officer or employee of a bank, insurance company, trust company, investment fund, pension fund or similar institutional body or the immediate families of an officer or employee of these institutions regularly engaged in the purchase or sale of securities for such institution unless:
- (i) the purchases are demonstrated to be for bona fide personal investment, and
 - (ii) are made in accordance with the *person's* normal investment practice.

3508. Inside information

- (1) For the purpose of section 3508 “material non-public information” means material facts or material changes not generally disclosed as defined under *securities laws*.
- (2) A *Director, Executive or employee* of a *Dealer Member* acting as a director to a reporting issuer is a person in a special relationship with the reporting issuer and must not disclose any *material non-public information* about the reporting issuer to anyone including any *Directors, Executives, employees* or clients, or research or trading departments of the *Dealer Member* unless in the necessary course of business.
- (3) A representative of a *Dealer Member* acting in an underwriting or *advisory capacity* to a reporting issuer is a person in a special relationship with the reporting issuer and must not disclose any *material non-public information* about the reporting issuer to anyone including any *Directors, Executives, employees* or clients, or research or trading departments of the *Dealer Member* unless in the necessary course of business.
- (4) When a *Dealer Member, Director, Executive or employee* of a *Dealer Member* has *material non-public information* about the issuer and discloses it to other personnel of the *Dealer Member* in the necessary course of business, those persons also become persons in a special relationship with the reporting issuer and must not disclose any *material non-public information* about the reporting issuer to anyone including any *Directors, Executives, employees* or clients, or research or trading departments of the *Dealer Member* unless in the necessary course of business.
- (5) A *Dealer Member’s* policies and procedures must specifically address maintaining the confidentiality of *material non-public information*.

3509. Premarketing

- (1) In subsections 3509(2), 3509(4) and 3509(5), an “informed person” refers to any *employee or Approved Person* of [an Investment Dealer Member](#) who:
 - (i) participated in or had actual knowledge of the *distribution discussions*, or
 - (ii) acts on information provided by or is directed by, induced by, or otherwise receives suggestions from a *person* who directly or indirectly participated in or had actual knowledge of the *distribution discussions*.
- (2) An *informed person* must not solicit expressions of interest from the public, in the type of securities subject to *distribution discussions*, from the *commencement of distribution discussions* until the earliest of:
 - (i) the issuance of a receipt for the preliminary prospectus,
 - (ii) a press release issued and filed in accordance with *applicable laws*, announcing the signing of an enforceable agreement in respect of the potential *distribution*, and
 - (iii) the [Investment Dealer Member](#) deciding not to pursue the potential *distribution*.
- (3) For the purpose of clause 3509(2)(ii), a press release will be deemed to have been issued when it is released to a news distribution service for distribution and will be deemed to

have been filed when delivered or sent to the relevant provincial *securities regulatory authority*, in accordance with *securities laws*.

- (4) An *informed person* must not engage, direct, suggest or induce another *informed person* to engage in market making or other principal trading activities in securities that are the subject of *distribution discussions*.
- (5) Where ~~e~~[an Investment Dealer Member](#) and issuer or selling security-holder can show a bona fide intention to distribute the *equity securities* pursuant to a prospectus exemption:
 - (i) the [Investment Dealer Member](#) including the *informed person* will not be subject to the restrictions in subsection 3509(2),
 - (ii) notwithstanding clause 3509(5)(i), the restrictions in subsection 3509(2) will apply from the time it is reasonable to expect that a decision to abandon an exempt offering of *equity securities* in favor of a prospectus offering will be taken.
- (6) ~~A~~[An Investment Dealer Member](#) involved in a *distribution* as an underwriter must:
 - (i) maintain policies and procedures that specifically address compliance with the obligations under section 3509, and
 - (ii) monitor the [Investment Dealer Member](#), its *employees* and *Approved Persons* compliance with these policies and procedures.

3510. - 3599. Reserved.

RULE 3600 | COMMUNICATIONS WITH THE PUBLIC

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~~communications and ~~correspondence~~client communications
[section 3602]
 - Part B – Research reports
[sections 3606 through 3623]
 - Part C – Misleading Communications
[section 3640]

PART A – ADVERTISEMENTS, SALES ~~LITERATURE~~COMMUNICATIONS AND ~~CORRESPONDENCE~~CLIENT COMMUNICATIONS

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~~communication or client communication that:
 - (i) contains an untrue statement or omission of a material fact or is otherwise false or misleading,
 - (ii) uses an image such as a photograph, sketch, logo or graph which conveys a misleading impression;
 - (iii) contains an unjustified promise of specific results,
 - (iiiiv) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions,
 - (ivv) contains any opinion or forecast of future events which is not clearly labeled as such,
 - (vvi) fails to fairly present the potential risks to the client,
 - (viyii) is detrimental to the interests of the public, the *Corporation* or its *Dealer Members*,
or
 - (viiiii) 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~~communications and ~~correspondence~~client communications 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~~advertisements, sales ~~literature or correspondence~~communications or client communications not listed in subsection 3602(3) ~~is~~are 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~~communications and ~~correspondence~~client communications, 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~~communications and ~~correspondence~~client communications and all records of supervision for the period set out in section 3803. These items must be readily available for inspection by the Corporation.

~~3603. — 3605. Reserved.~~

PART B – RESEARCH REPORTS

3606. Definitions

- (1) The following terms have the meaning set out below when used in Part B of Rule 3600:

“analyst” <u>(analyste)</u>	A <u>An Investment Dealer Member’s</u> employee or <i>Approved Person</i> who is held out to the public as an analyst or whose responsibilities to the <i>Dealer Member</i> include the preparation, for distribution to clients or prospective clients, of any written report, which includes a recommendation with respect to a security.
“equity related security” <u>(titre lié à des titres de capitaux propres)</u>	A security whose performance is based on the performance of an underlying <i>equity security</i> or a basket of income producing assets, including <i>derivatives</i> , convertible securities and income trust units.
“investment banking” or “investment banking service” <u>(services bancaires d’investissement)</u>	Includes but is not limited to: (i) acting as an underwriter in an offering of securities for an issuer, (ii) acting as a financial adviser in a merger or acquisition, or (iii) providing venture capital, lines of credit or serving as a placement agent for an issuer.

3607. Policies and procedures and minimum disclosure

- (1) ~~A~~An Investment Dealer Member's policies and procedures must specifically address:
 - (i) the conduct of *analysts*,
 - (ii) the publishing of *research reports*, and
 - (iii) the making of recommendations by *analysts*.
- (2) ~~A~~An Investment Dealer Member must designate one or more *Supervisors* to be responsible for reviewing and approving *research reports*.

3608. Research report disclosure of potential conflicts of interest

- (1) A *research report* prepared by the Investment Dealer Member must disclose any matter which might reasonably indicate an existing or potential conflict of interest for the Investment Dealer Member or the *analyst*, which includes, but is not limited to, the matters set out in subsection 3608(2).
- (2) A *research report* prepared by the Investment Dealer Member must disclose:
 - (i) if the Investment Dealer Member or its *affiliates* has *beneficial ownership* of the *equity securities* of the subject issuer that amounts to one percent or more of any class of such securities:
 - (a) as of the end of the month prior to the issuance date of the *research report*, or
 - (b) as of the end of the second most recent month if the report issuance date is less than 10 days after the end of the prior month,
 - (ii) if:
 - (a) the *analyst*,
 - (b) an *associate* of the *analyst*, or
 - (c) any *person* directly involved in the preparation of the report, holds or is short any of the issuer's securities directly or indirectly,
 - (iii) any services provided by any partner, *Director* or *officer* of the Investment Dealer Member or *analyst* involved in the preparation of a report, other than services provided in the normal course investment advisory or trade execution services to the issuer for *remuneration*, during the 12 months immediately preceding the date a *research report* or recommendation was issued,
 - (iv) any *investment banking services* provided by the Investment Dealer Member to the issuer for *remuneration* during the 12 months immediately preceding the date a *research report* or recommendation was issued,
 - (v) the name of any partner, *Director*, *officer*, *employee* or *agent* of the Investment Dealer Member who is a partner, director, officer or employee of the issuer, or who serves in an equivalent *advisory capacity* to the issuer, and
 - (vi) if it is making a market in any *equity security* or *equity related security* of the subject issuer.

3609. Additional disclosures

- (1) A *research report* must disclose or indicate where the following information is otherwise available:

- (i) the Investment Dealer Member's system for rating investment opportunities and how each recommendation fits within the system, and
 - (ii) the Investment Dealer Member's policies and procedures that specifically address the dissemination of its *research reports*.
- (2) ~~A~~An Investment Dealer Member must, on a quarterly basis, disclose the percentage of its recommendations that fall into each category of its recommendation system.

3610. Quality of disclosures in a research report

- (1) ~~A~~An Investment Dealer Member must ensure that the *research report* disclosures required in sections 3608 and 3609 are made in a clear, meaningful, comprehensive and prominent manner.
- (2) The Investment Dealer Member must not use standard disclosure statements when it is more appropriate to use specific information and customized disclosures in order to comply with the requirements set out in section 3608 or 3609.

3611. Independent third party research report

- (1) The disclosures required by sections 3608 and 3609 are applicable to *research reports* prepared by an independent third party that is distributed by ~~a~~an Investment Dealer Member to its clients under the independent third party's name.
- (2) The disclosures in sections 3608 and 3609 are not required in the following circumstances:
 - (i) in the case of independent third party *research reports* that are issued by members of the Financial Industry Regulatory Authority or *persons* governed by other regulators approved by the *Corporation*, or
 - (ii) when ~~a~~an Investment Dealer Member is only giving clients access to independent third party *research report*, or supplying an independent third party *research report* at the request of a client,
 and
 - (iii) the Investment Dealer Member discloses that the independent third party *research report* was not prepared in accordance with Canadian disclosure requirements relating to *research reports*.

3612. Directing the reader to disclosures

- (1) When ~~a~~an Investment Dealer Member distributes a *research report*:
 - (i) covering six or more issuers, the report may direct the reader to where the disclosures required under sections 3608, 3609 and 3616 may be found, or
 - (ii) electronically, the report may direct the reader to where the disclosures required under sections 3608, 3609 and 3616 may be accessed by electronic means, such as through the use of a hyperlink.

3613. Visiting an issuer

- (1) ~~A~~An Investment Dealer Member must disclose in its *research reports*:
 - (i) whether, and to what extent, an *analyst* has visited the issuer's material operations, and

- (ii) if the issuer has paid or reimbursed any of the *analyst's* travel expenses with respect to the visit.

3614. Relationship with the issuer

- (1) ~~A~~An Investment Dealer Member must not issue a *research report* prepared by an *analyst* on any issuer for which the *analyst*, an *associate* of the *analyst* or the *designated Supervisor*:
 - (i) serves as an officer, director or employee of the issuer, or
 - (ii) serves in any *advisory capacity* to the issuer.

3615. Notice to discontinue coverage

- (1) ~~A~~An Investment Dealer Member must issue notice of its intention to suspend or discontinue coverage of an issuer, to the same audience who received the coverage and in the same manner that the coverage was distributed.
- (2) Notice of discontinuance of coverage is not required if the sole reason for the suspension is that the issuer has been placed on ~~a~~An Investment Dealer Member's restricted list.

3616. Setting price targets

- (1) If ~~a~~An Investment Dealer Member sets a price target in a *research report*, the Investment Dealer Member must disclose, in that *research report*, the valuation method used.

3617. Prohibited inducements

- (1) ~~A~~An Investment Dealer Member must not, as consideration or inducement for the receipt of business or compensation from an issuer, directly or indirectly:
 - (i) offer to issue favourable *research report* on the issuer,
 - (ii) offer to set a favourable rating or price target on one or more of the issuer's securities,
 - (iii) offer to delay the changing of a rating or price target on one or more of the issuer's securities or the changing of any other *research report* element, including offering to delay the issue date of the *research report*, or
 - (iv) threaten to change a rating or a price target on one or more of the issuer's securities or any other element of a *research report*.

3618. Public comments

- (1) When giving an interview or otherwise making any public comment about the merits of an issuer or its securities, an *employee* or *Approved Person* of ~~a~~An Investment Dealer Member must disclose whether or not the Investment Dealer Member has issued a relevant *research report*.

3619. Policies and procedures on trading

- (1) ~~A~~An Investment Dealer Member who issues or distributes *research reports* must have policies and procedures that specifically address detecting and restricting any trading in *equity securities* or *equity related securities* of a subject issuer that is done with knowledge of or in anticipation of:
 - (i) the issuance of a *research report*,

- (ii) a new recommendation, or
 - (iii) a change in a recommendation,
related to the subject security that could reasonably be expected to ~~have an effect~~
~~on~~influence the price of the subject securities.
- (2) An *individual* directly involved in the preparation or approval of a *research report* must not trade in *equity securities* or *equity related securities* of the subject issuer for a period beginning 30 days prior to and ending five days after the issuance of the *research report*.
 - (3) Notwithstanding subsection 3619(2), an *individual* may trade with the prior written approval of a designated *Executive* of the Investment Dealer Member.
 - (4) Approval under subsection 3619(3) may not be granted for trades that are contrary to the *analyst's* current recommendation, unless special circumstances exist.

3620. Prohibition on investment banking compensation

- (1) A *research report* must disclose if the *analyst* responsible for the report received compensation within the prior 12 months that was based upon the Investment Dealer Member's investment banking revenues.
- (2) ~~A~~An Investment Dealer Member must not pay any bonus, salary or other compensation to an *analyst* that is directly based upon a specific *investment banking* transaction.

3621. Relationship with investment banking

- (1) ~~A~~An Investment Dealer Member's policies and procedures must specifically address preventing recommendations in *research reports* from being influenced by the *investment banking* department or the issuer.
- (2) The policies and procedures must specifically address, at a minimum:
 - (i) prohibiting the approval of *research reports* by the *investment banking* department,
 - (ii) limiting the *investment banking* department's involvement in the production of *research reports* solely to the correction of factual errors,
 - (iii) prohibiting and preventing the *investment banking* department from receiving advance notice of new ratings or rating changes on covered issuers, and
 - (iv) establishing systems to control and record the flow of information between *analysts* and *investment banking* department staff, regarding issuers that are the subject of current or prospective *research reports*.

3622. Quiet periods

- (1) ~~A~~An Investment Dealer Member must not issue a *research report* on *equity securities* of a subject issuer for which the Investment Dealer Member has acted as manager or co-manager:
 - (i) for 10 days after the date of the offering of an initial public offering of *equity securities* of the subject issuer,
 - (ii) for three days after the date of the offering of a secondary offering of *equity securities* of the subject issuer.

- (2) Subsection 3622(1) does not prevent an Investment Dealer Member from issuing a *research report* on the effects of significant news about or a significant event affecting the issuer within the applicable 10 day or three day period.
- (3) Subsection 3622(1) does not apply where the subject securities are exempted from restrictions under provisions relating to market stabilization set out in *Corporation requirements and securities laws*.

3623. Outside activities

- (1) An Investment Dealer Member must pre-approve an *analyst's* outside activities.

3624. – 3639. Reserved.

PART C – MISLEADING COMMUNICATIONS

3640. Misleading communications

- (1) An *Approved Person* must not hold themselves out, and a *Dealer Member* must not hold itself or its *Approved Persons* out, including through the use of a *trade name*, in a manner that could reasonably be expected to deceive or mislead any person or company as to any of the following matters:
 - (i) the proficiency, experience, qualifications or category of registration or approval of the *Approved Person*,
 - (ii) the nature of the person's relationship, or potential relationship, with the *Dealer Member* or the *Approved Person*, or
 - (iii) the products or services provided, or to be provided, by the *Dealer Member* or the *Approved Person*.
- (2) For greater certainty, and without limiting subsection 3640(1), an *Approved Person* who interacts with clients must not use any of the following:
 - (i) if based partly or entirely on that *Approved Person's* sales activity or revenue generation, a title, designation, award, or recognition,
 - (ii) a corporate officer title, unless their *Dealer Member* has appointed that *Approved Person* to that corporate office pursuant to applicable corporate law, or
 - (iii) if the *Approved Person's Dealer Member* has not approved the use by that *Approved Person* of a title or designation, that title or designation.

3641. – 3699. Reserved.

[...]

RULE 3900 | SUPERVISION

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 *derivatives* accounts
[sections 3960 through 3964]
 - Part G - Supervision of discretionary accounts and managed accounts
[sections 3970 through ~~3973~~[3975](#)]
- (2) Appropriate supervision of all aspects of a *Dealer Member's* business and operations is a fundamental responsibility of the *Dealer Member*. The *Dealer Member's* policies and procedures that specifically address its supervision system must remain up-to-date at all times, based on current *Corporation requirements* and *applicable laws*.
- (3) The *Dealer Member's* board of directors is responsible for ensuring that an appropriate supervision system is in place.

3902. – 3903. Reserved.

PART A – GENERAL SUPERVISION REQUIREMENTS

3904. Policies and procedures

- (1) A *Dealer Member's* policies and procedures must establish a supervisory system to supervise the activities of all its *employees* and *Approved Persons* that provides reasonable assurance they comply with *Corporation requirements* and *securities laws*.
- (2) As part of its supervisory system, the *Dealer Member*, at a minimum, must:
 - (i) have policies and procedures that specifically address supervision of its *employees* and *Approved Persons*,
 - (ii) have policies and procedures relating to supervision that provide reasonable assurance of compliance with *Corporation requirements*, *securities laws* and *applicable laws*,
 - (iii) ensure all supervisory policies and procedures are in writing, and

- (iv) amend its policies and procedures relating to supervision within a reasonable time after changes in *Corporation requirements*, or *securities laws* are made.
- (3) A *Dealer Member* must communicate its policies and procedures to all relevant *employees* and *Approved Persons* and must:
 - (i) provide its sales and supervisory *employees* and *Approved Persons* with the *Dealer Member's* sales practices policies and procedures relevant to their functions,
 - (ii) obtain and record acknowledgements from all sales and supervisory *employees* and *Approved Persons* that they have read and understood the policies and procedures relevant to their respective roles and responsibilities,
 - (iii) provide introductory and continuing education to all *Approved Persons* on the *Dealer Member's* policies and procedures and any relevant changes to them,
 - (iv) communicate information relating to *Corporation requirements and applicable laws*, to all sales *employees* and other *Approved Persons* to whom it is relevant,
 - (v) have policies and procedures that specifically address the method and timing of the distribution of compliance related notices,
 - (vi) promptly communicate changes in its policies and procedures to all relevant *employees* and *Approved Persons*, and
 - (vii) have procedures to provide reasonable assurance that each *employee* and *Approved Person* understands their responsibilities under the *Dealer Member's* policies and procedures.

3905. Supervisory personnel and resources

- (1) A *Dealer Member* must assign sufficient personnel and commit adequate resources necessary to fully and properly apply and enforce its policies and procedures.
- (2) A *Dealer Member* must appoint as many *Supervisors* and Executives as necessary to :
 - (i) properly supervise its *employees* and *Approved Persons* ~~taking into account the scope and complexity of the Dealer Member's business, and~~
 - (~~3~~ii) ~~A Dealer Member must designate as many Executives as necessary to ensure compliance with Corporation requirements, taking into account~~ considering the scope and complexity of the *Dealer Member's* business.
- (~~4~~3) A *Dealer Member* must designate *Supervisors* and *Executives*, with the qualifications and authority necessary to fully carry out the responsibilities assigned to them.
- (~~5~~4) A *Dealer Member* must take reasonable steps to ensure all ~~of~~ its *Supervisors* and *Executives* are fully proficient and understand the products that *employees* and *Approved Persons* under their supervision trade in or advise on, as well as the services these *employees* and *Approved Persons* provide, to the degree necessary to properly supervise those *employees* and *Approved Persons*.
- (~~6~~5) A *Dealer Member* must have procedures in place that ensure that *Supervisors* are properly performing their supervisory functions.

3906. Responsibilities of the Supervisor

- (1) Each *Supervisor* must fully and properly supervise each *employee* and *Approved Person* under their authority in accordance with:
 - (i) the supervisory responsibilities assigned to the *Supervisor*,
 - (ii) the *Dealer Member's* policies and procedures, and
 - (iii) *Corporation requirements* and *securities laws*.

3907. Delegation of supervisory tasks

- (1) A *Supervisor* may delegate supervisory tasks and procedures, but not the responsibility for their performance.
- (2) Any delegation of supervisory tasks must not be contrary to *Corporation requirements*, *securities laws* and *applicable laws*.
- (3) A delegate must be qualified to perform the assigned tasks by virtue of registration, training or experience.
- (4) The *Supervisor* must:
 - (i) inform the delegate of the tasks delegated to them and what is expected of them in the performance of the delegated tasks, in writing,
 - (ii) ensure that the delegate adequately performs the delegated tasks, and
 - (iii) establish reporting mechanisms for issues arising from the performance of delegated tasks.
- (5) The *Dealer Member* must maintain a record of the terms of the delegation, as well as the *Supervisor's* follow up and review of the delegated tasks.
- (6) The *Dealer Member* must inform the *Supervisor* of specific functions that cannot be delegated.

(7) The Dealer Member must:

- (i) inform the Supervisor of specific tasks or activities that have been automated pursuant to clause 1103(1)(ii).
- (ii) ensure the Supervisor understands how the automated tasks and activities work, and
- (iii) ensure proper performance of the related function in compliance with Corporation requirements.

3908. Supervision records

- (1) A *Dealer Member* must maintain a record of the names of *Supervisors*, their supervisory responsibilities and the date each *Supervisor* was designated.
- (2) A *Dealer Member* must have a system in place to record the review and approval, conducted by any *Supervisor* that is required under *Corporation requirements*.
- (3) A *Dealer Member* must maintain adequate *records* of supervisory activity, including on-site branch reviews, compliance issues identified and the resolution of such issues.

- (4) Where supervision *records* are kept at a branch office, the *Dealer Member* must conduct periodic on-site reviews of branch office supervision and record keeping.
- (5) The *records* set out in section 3908 must be kept for the period set out in section 3803.

3909. Responsibilities of the Executive

- (1) Each *Executive* must supervise and direct the activities of the *Dealer Member*, and its *employees* and *Approved Persons*, in accordance with the areas of its responsibility, to provide reasonable assurance of compliance with *Corporation requirements* and *securities laws*.

3910. Responsibilities of the Ultimate Designated Person

- (1) The *Ultimate Designated Person* is responsible to the *Corporation* for the conduct of the *Dealer Member* and the supervision of its *employees* and *Approved Persons*.
- (2) The *Ultimate Designated Person* must:
 - (i) supervise the activities of the *Dealer Member*, and the activities of each *individual* acting on the *Dealer Member's* behalf, that are directed towards ensuring compliance with *Corporation requirements* and *securities laws*, and
 - (ii) promote compliance by the *Dealer Member*, and each *individual* acting on its behalf, with *Corporation requirements* and *securities laws*.

3911. Reserved.**3912. Responsibilities of the Chief Compliance Officer**

- (1) The *Chief Compliance Officer* must:
 - (i) establish and maintain policies and procedures to assess compliance by the *Dealer Member* and *individuals* acting on its behalf with *Corporation requirements* and *securities laws*, other than those required under subsection 3913(1),
 - (ii) monitor and assess compliance by the *Dealer Member* and *individuals* acting on its behalf with *Corporation requirements* and *securities laws*, and
 - (iii) report to the *Ultimate Designated Person* as soon as possible if there is any indication that the *Dealer Member* or any *individual* acting on its behalf may be in non-compliance with *Corporation requirements* or *securities laws*, other than those required under subsection 3913(1), and:
 - (a) the non-compliance creates a reasonable risk of harm to a client,
 - (b) the non-compliance creates a reasonable risk of harm to the capital markets, or
 - (c) the non-compliance is part of a pattern of non-compliance.
- (2) The *Chief Compliance Officer* must have access to the *Ultimate Designated Person* and the *Dealer Member's* board of directors as necessary to carry out their responsibilities.

3913. Responsibilities of the Chief Financial Officer

- (1) The *Chief Financial Officer* must:
 - (i) establish and maintain policies and procedures for the *Dealer Member* relating to financial *Corporation requirements*,

- (ii) monitor adherence to the *Dealer Member's* policies and procedures to provide reasonable assurance that the *Dealer Member* complies with the financial *Corporation requirements*,
 - (iii) identify any breaches of approved capital usage limits and report them in accordance with section 4116; and
 - (iv) report to the *Ultimate Designated Person* as soon as possible if there is any indication that the *Dealer Member* or any *individual* acting on its behalf may be in non-compliance with the financial requirements of the *Corporation* and:
 - (a) the non-compliance creates a reasonable risk of harm to a client,
 - (b) the non-compliance creates a reasonable risk of harm to the capital markets, or
 - (c) the non-compliance is part of a pattern of non-compliance.
- (2) The *Chief Financial Officer* must have access to the *Ultimate Designated Person* and the *Dealer Member's* board of directors as necessary to carry out their responsibilities.

3914. Reserved.

3915. Report to Dealer Member's board of directors

- (1) At least annually, the *Chief Compliance Officer* must provide a written report to the *Dealer Member's* board of directors for the purpose of assessing compliance by the *Dealer Member*, and its *employees* and *Approved Persons*, with *Corporation requirements* and *securities laws*, other than those required under subsection 3915(2).
- (2) At least annually, the *Chief Financial Officer* must provide a written report to the *Dealer Member's* board of directors for the purpose of assessing compliance by the *Dealer Member*, and its *employees* and *Approved Persons*, with the financial *Corporation requirements* and *securities laws*, as necessary.
- (3) The *Dealer Member's* board of directors must review the reports and recommendations submitted to it pursuant to section 3915 to determine the appropriate action to be taken to remedy any compliance deficiencies that are identified and must ensure that such action is taken.
- (4) The *Dealer Member's* board of directors must maintain *records* of the actions it determines necessary to correct compliance problems and the monitoring done to ensure that the actions are carried out.

3916. Governance document

- (1) A *Dealer Member* must file with the *Corporation*:
 - (i) a copy of a current governance document that sets out the organizational structure and reporting relationships required under Rule 3900, and
 - (ii) notice of any material changes to the organizational structure and reporting relationships set out in the governance document.

3917. Annual supervisory review of financial and operational policies and procedures

- (1) A *Dealer Member* must ensure that a supervisory review of its financial and operational policies and procedures is completed at least annually and that any deficiencies are identified and corrected.

3918. Supervision of shared office premises

- (1) A *Dealer Member* must have policies and procedures that specifically address the supervision of *shared office premises*, as contemplated by ~~section~~[sections 2216 through 2219](#), to provide reasonable assurance:
 - (i) compliance with *Corporation requirements*, and
 - (ii) the client has a clear understanding of which entity they are dealing with.
- (2) A *Dealer Member* must have:
 - (i) adequate supervisory resources to implement its policies and procedures,
 - (ii) a system for communicating *Corporation requirements* relating to *employees* and *Approved Persons* at the *shared office premises*, and
 - (iii) a process providing reasonable assurance that *Corporation requirements* relating to *shared office premises* are understood and implemented.

3919. – 3924. Reserved.

PART B – SUPERVISION OF ALL ACCOUNTS**3925. Supervision by designated persons**

- (1) A *Dealer Member* must effectively supervise account activity and must take reasonable steps to provide reasonable assurance of compliance with *Corporation requirements*, *securities laws* and *applicable laws*.
- (2) A *Dealer Member* must designate one or more *Supervisors* to be responsible for approving the opening of new accounts and for establishing and maintaining procedures relating to account supervision and supervising account activity, in accordance with *Corporation requirements*.
- (3) The ~~designated~~ *Supervisor* must be familiar with applicable *Corporation requirements*, *securities laws* and *applicable laws* and the *Dealer Member's* policies and procedures.
- (4) A *Dealer Member* must appoint one or more alternate *Supervisors* as required, to the *Supervisors* designated in subsection 3925(2), to supervise the *Dealer Member's* business and to assume the responsibility of the [Supervisor](#) designated ~~Supervisor~~[in subsection 3925\(2\)](#) in their absence.

3926. Account supervision policies and procedures

- (1) A *Dealer Member's* policies and procedures must specifically address account supervision, which includes its standards for the review and supervision of account activity.
- (2) A *Dealer Member's* policies and procedures must specifically address the *Dealer Member's* obligations to:

- (i) identify clients that present a high risk to the *Dealer Member*,
 - (ii) identify clients that present a high risk of conducting improper activities in the securities investment markets, and
 - (iii) comply with all anti-money laundering and terrorist financing requirements under *applicable laws*.
- (3) All policies and procedures relating to the supervision of accounts held at a *Dealer Member* and any substantive amendments to such policies and procedures, must be approved by the *Dealer Member's Chief Compliance Officer* or another appropriate *Executive*.
 - (4) A *Dealer Member* must provide all supervisory staff with written:
 - (i) procedures to be followed in reviewing account activity, and
 - (ii) confirmation of the *Dealer Member's* expectations of supervisory staff, with respect to their supervisory roles and responsibilities.
 - (5) A *Dealer Member's* policies and procedures must include controls for accessing and amending client *records*.
 - (6) A *Dealer Member* must periodically review the policies and procedures used at its head office and its ~~branch offices~~ business locations to provide reasonable assurance the policies and procedures continue to be effective and reflect current legislative and regulatory requirements, as well as industry practices.

3927. Reviews of account activity

- (1) A *Dealer Member* must review account activity as required by *Corporation requirements* and must take reasonable steps to provide reasonable assurance that account activity complies with *Corporation requirements*, *securities laws* and other *applicable laws* and the *Dealer Member's* policies and procedures.
- (2) A *Dealer Member* must record and keep evidence of completed supervisory reviews, including details of inquiries about issues and their resolution, for the period required in section 3803.
- (3) A *Dealer Member* must establish and follow procedures for the implementation of additional supervisory measures applicable to *Approved Persons* with a history of regulatory infractions or questionable conduct.

3928. – 3944. Reserved.

PART C – SUPERVISION OF RETAIL CLIENT ACCOUNTS

3945. Daily and monthly trade supervision

- (1) A *Dealer Member* that has *retail client* accounts must have policies and procedures that specifically address daily and monthly supervision of trading activity in *retail client* accounts. These policies and procedures must outline actions to deal with problems or issues identified by the review.
- (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, where applicable, specifically address the detection of:

- (i) unsuitable trading,
 - (ii) undue concentration of ~~securities, derivatives or precious metals~~ bullion investment products 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 transaction transfers and trade 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 investment products 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.
- (3) The *Dealer Member* must develop policies and procedures that specifically address supervising *retail client* accounts where a commission is not charged for trades placed by or for a client, such as fee based accounts. These policies and procedures must:
- (i) address account activity review *Corporation requirements*, and
 - (ii) use criteria other than commission levels.
- (4) ~~The~~ An Investment Dealer Member must specifically designate the following *retail client* accounts for supervision purposes:
- (i) *non-client accounts*,
 - (ii) *discretionary accounts*,
 - (iii) *managed accounts*,
 - (iv) registered accounts, and
 - (v) restricted accounts.
- (5) A Mutual Fund Dealer Member must specifically designate the following retail client accounts for supervision purposes:

- (i) accounts where the client is a Related Person, as defined by the Income Tax Act (Canada), of the Registered Representative and the Registered Representative has full or partial control or authority over the financial affairs of the client,
- (ii) leveraged accounts, and
- (iii) registered accounts.

3946. Additional supervisory responsibilities

- (1) In addition to transactional activity, where applicable, 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 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.

3947. Supervision of new Registered Representatives and Investment Representatives

- (1) A *Dealer Member* must closely supervise *Registered Representatives* and *Investment Representatives* dealing with *retail clients* for six months after approval, as set out in the *Registered Representative / Investment Representative Monthly Supervision Report*.
- (2) Subsection 3947(1) does not apply if:
 - (i) the *Registered Representative* was previously approved, for six months or more, to advise on trades for *retail clients* for a securities firm that is a member of a *SRO* or a *recognized foreign regulatory organization*, or
 - (ii) the *Investment Representative* was previously approved for six months or more to advise on trades or to trade for *retail clients* for a securities firm that is a member of a *SRO* or a *recognized foreign regulatory organization*.
- (3) A *Dealer Member* must complete and keep a copy of every *Registered Representative / Investment Representative Monthly Supervision Report* for the *Corporation's* inspection.

3948. Supervision of suitability determination obligations

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

3949. Reserved.

PART D – SUPERVISION OF INSTITUTIONAL CLIENT ACCOUNTS

3950. Supervisory policies and procedures for institutional client accounts

- (1) A Dealer Member that offers *institutional client* accounts must have policies and procedures that specifically address the supervision and review of trading activity in *institutional clients'* accounts. These policies and procedures must outline the actions to deal with problems or issues identified from supervisory reviews.
- (2) In addition to meeting the Dealer Member's general supervisory obligations, including any relevant obligations relating to trading in ~~securities, derivatives and precious metals~~ bullion investment products 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,
 - (iv) front running by *employee* or proprietary accounts,
 - (v) trading in *securities* that have restrictions on their transfer,
 - (vi) transacting in *derivatives* whose underlying interest has restrictions on their transfer, and
 - (vii) exceeding *derivative* position or exercise limits.

3951. Supervision of suitability determination obligations

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

3952. –3954. Reserved.

PART E – SUPERVISION OF ORDER EXECUTION ONLY ACCOUNTS

3955. Supervision of order execution only accounts

- (1) ~~A~~ An Investment 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 Investment Dealer Member's general supervisory obligations and any relevant obligations relating to transacting in ~~securities, derivatives and precious metals~~ bullion investment products,
 - (ii) ensure that clients are not provided with recommendations ~~as a result of~~ because the client ~~having~~ has an account with:
 - (a) a separate legal entity of the Investment Dealer Member,
 - (b) a separate business unit of the Investment Dealer Member, or

- (c) the Investment Dealer Member itself, and
 - (iii) to review customer trading and accounts for those concerns listed in Rule 3900, other than those relating to the suitability requirements.
- (2) The Investment Dealer Member's, or separate business unit of the Investment Dealer Member, policies and procedures relating to review of client trading must specifically address the risks associated with the method of order entry and the absence of intermediation by employees of the Investment Dealer Member.
 - (3) The Investment Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of all supervisory reviews as required in Rule 3900.
 - (4) The Investment Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under section 3955.

3956. – 3959. Reserved.

PART F – SUPERVISION OF DERIVATIVES ACCOUNTS

3960. Supervision of derivatives accounts

- (1) ~~A~~An Investment Dealer Member that ~~transacts in or advises on~~has derivatives accounts must, where applicable:
 - (i) appoint a ~~designated~~ Supervisor to ~~supervise~~be responsible for the supervision of its activities that involve options contracts or similar derivatives, and
 - (ii) appoint a ~~designated~~ Supervisor to ~~supervise~~be responsible for the supervision of its activities that involve futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives.
- (2) ~~The designated Supervisors must have the qualifications and experience required to supervise the Dealer Member's derivatives activities.~~
- ~~(3)~~ The Investment Dealer Member must appoint one or more alternate Supervisors if necessary to ensure continuous supervision of ~~its~~each relevant 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~~an activity requires additional qualified individuals to supervise the Investment Dealer Member's derivatives account-related activities.
- ~~(4)~~ The Supervisors must have the qualifications and experience required to supervise the relevant Investment Dealer Member's derivatives account-related activities.
- ~~(5)~~ The Investment Dealer Member must have policies and procedures that specifically address the supervision and operation of derivatives accounts to provide reasonable assurance of compliance with Corporation requirements.
- ~~(6)~~ The Investment Dealer Member must identify derivatives accounts in its records to allow supervision of the derivatives accounts in accordance with Corporation requirements.

3961. Responsibility of ~~designated~~ Supervisors for derivatives accounts

- (1) The ~~designated~~ Supervisors are responsible for:
 - (i) approving new *derivatives* accounts; and the *derivatives* trading agreements signed by the client, and
 - (ii) ensuring that the handling of ~~clients' derivatives-account trading~~*derivatives* accounts complies with *Corporation requirements*.
- (2) The relevant 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 Supervisors should restrict the account from using inappropriate strategies and note on the *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.
- (3) The Investment Dealer Member must maintain a record of the relevant Supervisor's approvals in accordance with the record retention requirements in section 3803.

3962. Supervision of retail derivatives accounts

- (1) The ~~designated~~ 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~~putting the client's interest first.
- (2) The Investment Dealer Member must ensure that *Registered Representatives, Investment Representatives, Portfolio Managers and Associate Portfolio Managers* only trade in or advise on those *derivatives* included in their approval category.
- (3) On a daily and monthly basis, the ~~designated~~ Supervisor must review all *derivatives* accounts that are designated as *discretionary accounts* and *managed accounts*.
- (4) The Investment Dealer Member must have *policies* and procedures that specifically address notifying clients of:
 - (i) approaching expiry dates,
 - (ii) significant changes in *derivatives* resulting from changes in the underlying interest,
 - (iii) any changes in the Investment Dealer Member's business policy, and
 - (iv) any new developments in the trading or regulation of *derivatives* that may impact clients.
- (5) The Investment Dealer Member must have *policies* and procedures that specifically:
 - (i) require the ~~designated~~ Supervisor to approve the solicitation of clients to use *derivatives* programs, as well as clients' actual use of *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 *derivatives* 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 derivatives account trading activity

- (1) In addition to *Corporation requirements* relating to account supervision, the *Investment Dealer Member's* policies and procedures must specifically address the review of *derivative* transactions to detect the following:
 - (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 accounts determined in accordance with clause 3252(1)(vii) and subsection 3252(2),
 - (v) exceeding *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
 - (xi) exposures to delivery obligations through the holding of futures contracts, forward contracts and similar *derivatives* into the delivery month.
- (2) Accounts must be selected for review using criteria that provides reasonable assurance of detecting improper trading activity.

3964. Access to Approved Persons qualified in derivatives

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

- (ii) futures contracts, forward contracts, contracts for difference, futures contract options or similar *derivatives*, or
- (iii) all *derivatives*.

3965. - 3969. Reserved.

PART G – SUPERVISION OF DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS

3970. Supervision ~~for~~of discretionary accounts

- (1) ~~In addition to~~An Investment Dealer Member that has discretionary accounts must appoint a Supervisor to be responsible for the supervision of discretionary accounts.
- (2) The Investment Dealer Member must appoint one or more alternate Supervisors if necessary to ensure continuous supervision of each relevant discretionary activities.
- (3) An alternate Supervisor must assume all or part of the Supervisor's responsibilities if:
 - (i) the relevant Supervisor is absent or unable to carry out their duties, or
 - (ii) an activity requires additional qualified individuals to supervise the Investment Dealer Member's discretionary account-related activities.
- (4) The Supervisors must have the qualifications and experience required to supervise the relevant Investment Dealer Member's discretionary account-related activities.
- (5) The Investment Dealer Member must have policies and procedures that specifically address the supervision and operation of discretionary accounts to provide reasonable assurance of compliance with Corporation requirements relating.
- (6) The Investment Dealer Member must identify discretionary accounts in its records to ~~account~~allow supervision, ~~the designated~~ of the discretionary accounts in accordance with Corporation requirements.

3971. Responsibility of Supervisors for discretionary accounts

- (1) The Supervisors are responsible for:
 - (i) approving new discretionary accounts and the discretionary account agreement signed by the client, and
 - (ii) ensuring that the handling of discretionary accounts complies with Corporation requirements.
- (2) The Supervisor responsible for discretionary accounts must ~~also~~ review the financial performance of each discretionary account at least monthly.
- (23) As part of the review in subsection 3970(~~1~~3971(2)), the ~~designated~~ Supervisor must also review discretionary accounts to determine if the Registered Representative, authorized to affect trades for the discretionary account should continue to do so, based on the ~~designated~~ Supervisor's assessment of the discretionary account's financial performance.
- (34) The ~~designated~~ Supervisor responsible for discretionary accounts must not delegate the performance of the reviews required in subsections 3970(~~1~~3971(2)) and 3970(~~2~~3971(3)) to any other person.

- (45) ~~A designated~~The Supervisor must review any discretionary order initiated in a *discretionary account* by a *Registered Representative* prior to the order being entered unless:
- (i) the *Registered Representative* has been approved as a *Portfolio Manager*, or
 - (ii) the *Registered Representative* is also an *Executive*, and
 - (iii) the ~~designated~~ Supervisor reviews the order no later than one *business day* after the trade was made.
- (56) ~~A designated~~The Supervisor must review any discretionary order initiated for a *discretionary account* by an *Executive* who is approved as a *Portfolio Manager*, no later than the day after the trade was made.
- (7) The Investment Dealer Member must maintain a record of the relevant Supervisor's approvals in accordance with the record retention requirements in section 3803.

3971.3972. Supervision of managed accounts

- (1) ~~A~~An Investment Dealer Member that has *managed accounts* must:
- ~~(i) designate~~appoint a Supervisor to be responsible for the supervision of *managed accounts*,
and
 - ~~(ii) —~~
- (2) The Investment Dealer Member must appoint one or more alternate Supervisors if necessary to ensure continuous supervision of each relevant managed activities.
- (3) An alternate Supervisor must assume all or part of the Supervisor's responsibilities if:
- (i) the relevant Supervisor is absent or unable to carry out their duties, or
 - (ii) an activity requires additional qualified individuals to supervise the Investment Dealer Member's managed account-related activities.
- (4) The Supervisors must have the qualifications and experience required to supervise the relevant Investment Dealer Member's managed account-related activities.
- (5) The Investment Dealer Member must have policies and procedures that specifically address the supervision and operation of individuals responsible for handling managed accounts to provide reasonable assurance of compliance with Corporation requirements.
- ~~(26) In addition to meeting the Dealer Member's general supervisory obligations and any relevant obligations relating to trading in securities, derivatives and precious metals bullion, the~~The Investment 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*. ~~—, and~~
 - ~~(3iii) The Dealer Member's policies and procedures dealing with the supervision of managed accounts must specifically address~~ the direct supervision of any *Associate Portfolio Manager* that provides discretionary management to *managed accounts*,

including a prohibition on the *Associate Portfolio Manager* providing advice unless the advice has been approved by a *Portfolio Manager* at the *Investment Dealer Member* prior to the *Associate Portfolio Manager* providing the advice.

- (47) Supervision of the *Associate Portfolio Manager* must be conducted by:
- (i) a *Portfolio Manager* at the *Investment Dealer Member* or another *Investment Dealer Member* who is authorized to provide discretionary management to *managed accounts* and who is not in the period of close supervision, or
 - (ii) a *person* registered as an advisor under *securities laws* who has entered into a contract with the *Investment Dealer Member* to provide the supervision.
- (8) The *Investment Dealer Member* must identify *managed accounts* in its records to allow supervision of the *managed accounts* in accordance with *Corporation requirements*.

3973. Responsibility of Supervisors for managed accounts

- (1) The Supervisors are responsible for:
- (i) approving new *managed accounts* and the *managed account* agreement signed by the client, and
 - (ii) ensuring that the handling of *managed accounts* complies with *Corporation requirements*.
- (2) The *Investment Dealer Member* must maintain a record of the relevant *Supervisor's* approvals in accordance with the record retention requirements in section 3803.

39723974. Managed account committee

- (1) ~~A~~An *Investment Dealer Member* that has *managed accounts* must establish a *managed account* committee that includes at least one ~~designated~~ *Supervisor* responsible for *managed accounts* and the *Chief Compliance Officer*. The committee must, at least annually:
- (i) review the *Investment Dealer Member's* policies and procedures dealing with the supervision of *managed accounts*, and
 - (ii) recommend to senior management appropriate actions necessary to achieve compliance with *Corporation requirements* and *securities laws*, applicable to *managed accounts*.

39733975. Managed account review

- (1) In addition to *Corporation requirements* relating to account supervision, the ~~designated~~ *Supervisor* under ~~clause 3970(1)~~(subsection 3972(1)) must review each *managed account* quarterly to provide reasonable assurance that:
- (i) the client's investment objectives are being pursued, and
 - (ii) the handling of each of the *managed accounts* complies with *Corporation requirements*.
- (2) If the investment decisions for a *managed account* are made centrally and apply to a number of *managed accounts*, the quarterly review may be done at an aggregate level,

subject to minor variations to allow for client directed investment restrictions and the timing of client cash flows into the *managed account*.

~~3974~~3976. – 3999. Reserved.

SERIES 8000 | PROCEDURAL RULES – ENFORCEMENT

RULE 8400 | RULES OF PRACTICE AND PROCEDURE

[...]

8402. Definitions

- (1) The following terms have the meaning set out when used in Rule 8400:

...	...
“regulatory decision” (<i>décision en matière de réglementation</i>)	A decision made under sections 9204, 9206- or , 9207, <u>9208</u> or Part B of Rule 4100 <u>4136</u> .
...	...

[...]

PART C - REVIEW PROCEEDINGS

8430. Regulatory review hearings

- (1) A party who requests a review of a *regulatory decision* must serve and *file*, within the time specified in *Corporation requirements* relating to the *regulatory decision* and:
- (i) in the case of a decision made under section 9204, 9206-~~or~~, 9207, or 9208, at least 14 days, and
 - (ii) in the case of a decision under ~~Part B of Rule 4100~~section 4136, no more than the number of days specified in ~~Part B of Rule 4100~~section 4136, prior to the date of the *hearing*, a notice of request for review and a review record.

[...]

SERIES 9000 | PROCEDURAL RULES – OTHER

RULE 9200 | APPROVALS AND REGULATORY SUPERVISION

9201. Introduction

- (1) Rule 9200 sets out the authority of the *Corporation* to approve *individuals* employed by or otherwise acting on behalf of *Dealer Members*, to grant exemptions from the *Corporation's* proficiency requirements, to grant extensions or exemptions from a continuing education requirement, to refuse an application, to impose terms and conditions on approvals and *Membership* in the *Corporation*, to suspend and revoke approvals, and rights to be heard and rights of review available to *parties* to such decisions.

9202. Definitions

- (1) The following terms have the meaning set out below when used in Rule 9200:

“application” <u>(demande)</u>	An application for approval or an exemption under Rule 9200, but does not include a request for a review of a decision on such an application under Rule 9300.
“decision”	A determination made by the Corporation under Rule 9200.
“Registration Staff” <u>(personnel de l’inscription)</u>	Registration staff of the <i>Corporation</i> .
“regulatory decision” <u>(décision en matière de réglementation)</u>	<u>A decision made under sections 9204, 9206, 9207 or 9208.</u>
“senior review officer” “Senior Decision Officer” <u>(dirigeant responsable de la décision)</u>	A senior officer of the <i>Corporation</i> who has authority to review a decision made by the Corporation under section 9206 in accordance with the procedures set out in section 9209, following an offer of an opportunity to be heard, to render regulatory decisions.

9203. ~~Corporation Decisions~~ Requirements for regulatory decisions

- (1) Notice of a ~~Corporation~~ regulatory decision must be given to an applicant, Dealer Member or other person who is its subject.
- (2) The *Corporation* must not:
- (i) refuse an *application*,
 - (ii) impose terms and conditions on an approval, or
 - (iii) suspend or revoke an approval,
- unless the applicant ~~or~~ Approved Person, or Dealer Member has been given an opportunity to be heard by a Senior Decision Officer.
- (3) Written reasons, in the form of a letter, must be provided with notice of a regulatory decision that:

- (i) refuses an *application*,
 - (ii) imposes terms and conditions on an approval, or
 - (iii) suspends or revokes an approval.
- (4) A regulatory decision is effective on the date on which notice of the regulatory decision is provided to the *parties*, unless:
- (i) the regulatory decision provides otherwise, in which case the regulatory decision is effective on the date so provided, or
 - (ii) unless the regulatory decision is stayed under subsection 9209(4)9209(2) or by a *hearing panel*.

9204. Individual approval applications

- (1) An *individual* may make an *application* to the *Corporation* for approval as ~~is~~:
- ~~(i) — Supervisor,~~
 - ~~(ii) — Director or Executive,~~
 - ~~(iii) — Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager,~~
 - ~~(iv) — Chief Financial Officer, Chief Compliance Officer, or Ultimate Designated~~ an Approved ~~Person, or~~
 - ~~(v) — Trader.~~
- (2) The *Corporation* must approve an *application* under subsection 9204(1), unless in its opinion:
- (i) the applicant:
 - (a) does not comply with *Corporation requirements*,
 - (b) is likely not to comply with *Corporation requirements*, or
 - (c) does not comply with *securities laws* relating to or is not suitable for approval on the basis of training, experience, solvency or integrity, or
 - (ii) the approval is otherwise not in the public interest.
- (3) The *Corporation* may approve an *application* under subsection 9204(1), subject to any terms and conditions it considers appropriate.

9205. Membership approval applications

- (1) *Corporation* staff shall make a recommendation to the *Board* to: decide upon an application for Dealer Member Membership in the Corporation made pursuant to section 3.5 of General By-Law No 1.
- (i2) ~~approve~~ The Board shall have the power to decide upon an *application* for *Dealer Member Membership* in the *Corporation* made pursuant to section 3.5 of General By-~~law~~ Law No: 1;
- ~~(ii) — approve the application subject to such terms and conditions as may be considered just and appropriate, or~~
 - ~~(iii) — refuse the application if, in its opinion:~~
 - ~~(a) — the applicant does not comply with one or more Corporation requirements,~~

- ~~(b) one or more Corporation requirements will not be complied with by the applicant,~~
- ~~(c) the applicant is not qualified for approval by reason of integrity, solvency, or experience, or~~
- ~~(d) such approval is not in the public interest.~~

~~(23) Prior to consideration of an application for Dealer Member Membership in the Corporation by the Board making its decision, the applicant shall :~~

~~(i) be informed that it has an opportunity to be heard by the Board before the Board decides on the application and shall~~

~~(ii) be given a copy of Corporation staff's recommendation and informed in writing of the reasons for it.~~

~~(3) The Board shall have the power to:~~

~~(i) approve an application for Dealer Member Membership in the Corporation made pursuant to section 3.5 of General By-law No. 1,~~

~~(ii) approve the application subject to such terms and conditions as may be considered just and appropriate, or~~

~~(iii) refuse the application if, in its opinion:~~

~~(a) the applicant does not comply with one or more Corporation requirements,~~

~~(b) one or more Corporation requirements will not be complied with by the applicant,~~

~~(c) the applicant is not qualified for approval by reason of integrity, solvency, or experience, or~~

~~(d) such approval is not in the public interest.~~

and

(iii) be given a written notice of the decision the Board intends to make and informed in writing of the reason for it, if the Board intends to not follow Corporation staff's recommendation.

(4) A decision of the Board under subsection ~~9205(3)~~9205(2) is a final decision for which no further review or appeal is provided under Corporation requirements.

9206. Exemption applications for proficiency and continuing education requirements

(1) An individual or a Dealer Member, with respect to proficiency requirements applicable to its Approved Persons, may apply to the Corporation for an exemption from the proficiency requirements under Rule 2600, or for an extension of or exemption from a continuing education requirement under Rule 2700.

(2) On an application under subsection 9206(1), the Corporation may grant an exemption or extension in accordance with any standards in the relevant rule, subject to any terms and conditions it considers appropriate.

9207. Continued individual approval

- (1) The *Corporation* may, in its discretion, impose terms and conditions on the continued approval of an *Approved Person* to ensure continuing compliance with *Corporation requirements*.
- (2) The *Corporation* may suspend or revoke the approval of an *Approved Person*, if it appears to the *Corporation* that:
 - (i) the *Approved Person* is not suitable for approval by reason of integrity, solvency, training or experience,
 - (ii) the *Approved Person* has failed to comply with *Corporation requirements*, or
 - (iii) the approval is otherwise not in the public interest.

9208. Terms and conditions on Dealer Members' Membership

- (1) The *Corporation* may impose terms and conditions on a *Dealer Member's Membership* in the *Corporation*, where the *Corporation* considers it appropriate to ensure continuing compliance with *Corporation requirements*.
- ~~(2) The *Corporation* must not impose terms and conditions on a *Membership* in the *Corporation*, unless the *Dealer Member* has been given an opportunity to be heard.~~
- ~~(3) Notice of a decision imposing terms and conditions under subsection 9208(1) must be given to the *Dealer Member* and must be accompanied by written reasons for the decision.~~

9209. Review Hearings

- (1) Within 30 days after the release of a regulatory decision under section 9204, 9207 or 9208, an applicant, *Approved Person* ~~or~~, *Dealer Member* or Registration Staff, respectively, may request a review of the regulatory decision by a *hearing panel* under Rule 9300.
- ~~(2) An applicant may, within 30 days after the release of a decision under section 9206, request a review of the decision by a senior review officer.~~
- ~~(3) Registration Staff may, within 30 days after the release of a decision, other than a decision made by Registration Staff, request a review:

 - ~~(i) of a decision under section 9204 or 9207 by a decision under Rule 9300, or~~
 - ~~(ii) of a decision under section 9206 by a senior review officer.~~~~
- (4) A request for review ~~of a decision under section 9206~~ by *Registration Staff* of a regulatory decision under section 9206 operates as a stay of the *decision*.
- ~~(5) If a review of a decision under section 9206 is requested, the *National Hearing Officer* must, subject to subsection 9209(7), select a senior review officer to review the decision.~~
- ~~(6) A decision maker who has participated in a decision must not be selected to review the decision.~~
- ~~(7) On a review of a decision made under section 9206, the senior review officer may:

 - ~~(i) affirm the decision,~~
 - ~~(ii) quash the decision,~~
 - ~~(iii) vary or remove any terms and conditions imposed on the applicant, and~~~~

~~(iv) — make any decision that could have been made by the Corporation under section 9206.~~

~~(8) — A decision of the senior review officer under subsection 9209(7) is a final decision for which no further review or appeal is provided under Corporation requirements.~~

9210. — Review by a securities regulatory authority

~~(1) — A party may apply to the securities regulatory authority in the applicable District for a review of a final decision of a senior review officer under Rule 9200.~~

~~(2) — A person who is entitled to request a review by a senior review officer under section 9209 of a decision made under section 9206 may not apply to a securities regulatory authority for review of that decision, unless the person has requested a review by a senior review officer and the senior review officer has made a final decision.~~

~~(3) — For purposes of subsection 9210(1), Corporation staff is directly affected by a decision in a proceeding in which Corporation staff is a party.~~

9211

9210. – 9299. Reserved.

RULE 9300 | REGULATORY REVIEW PROCEEDINGS

9301. Introduction

- (1) Rule 9300 sets out the authority of *hearing panels* to review a *decision* under Rule 9200 or ~~an early warning level 2 prohibition under Part B of Rule 4100~~under section 4136.

9302. Definitions

- (1) The following ~~terms have~~term has the meaning set out below when used in Rule 9300:

“application”	An application for approval under section 9204.
“approval order”	An order made under section 9207.
“compliance order”	An order made under section 9208.
<u>“regulatory decision”</u> <u>(<i>décision en matière de réglementation</i>)</u>	<u>A determination made by the Corporation or a hearing panel that makes a decision in a review proceeding under Rule 9300. A decision made under sections 9204, 9206, 9207, 9208 or 4136.</u>
“early warning review order”	An order made under Part B of Rule 4100.

9303. Hearings and decisions

- (1) Section 8203 applies to a proceeding under Rule 9300, with modifications required by the context of this Rule 9300.
- (2) A decision of a *hearing panel* is effective on the date the decision is dated by the ~~National Hearing Officer~~Office, unless the decision provides otherwise, in which case the decision is effective on the date so provided.

9304. Review proceedings

- (1) A request for review of a regulatory decision ~~made on an application, an approval order, a compliance order or an early warning review order~~ must be heard by a *hearing panel* in accordance with the *Rules of Procedure*.
- (2) After a *hearing* under this section, a *hearing panel* may:
- affirm the regulatory decision under review,
 - quash the regulatory decision,
 - vary or remove any terms and conditions imposed by the regulatory decision,
 - prohibit, as applicable, a further application for approval under section 9204 by the applicant for a period of time it considers appropriate, or
 - make any decision authorized by *Corporation requirements* under which the regulatory decision was made.

9305. Review by a securities regulatory authority

- (1) A *party* may apply to the *securities regulatory authority* in the applicable *District* for a review of a final decision of a *hearing panel* under Rule 9300.
- (2) A *person* who is entitled to request a review of a regulatory decision under section 9304 may not apply to a *securities regulatory authority* for review of the regulatory decision,

unless the *person* has requested a review by a *hearing panel* and the *hearing panel* has made a final decision.

- (3) For purposes of subsection 9305(1), *Corporation* staff is directly affected by a decision in a proceeding in which *Corporation* staff is a *party*.

9306. – 9399. Reserved.

RULE 9400 | PROCEDURES FOR OPPORTUNITIES TO BE HEARD BEFORE ~~DECISIONS ON APPROVAL AND REGULATORY COMPLIANCE MATTERS~~ SENIOR DECISION OFFICERS OR THE BOARD

9401. Introduction

- (1) These procedures apply where *Corporation requirements* require an opportunity to be heard before:
- (i) ~~Corporation staff,~~
 - (ii) a ~~senior decision officer~~ Senior Decision Officer who has the authority to make a decision concerning an *individual* or a *Dealer Member*, or
 - (iii) the *Board* concerning an application for *Dealer Member Membership* in the *Corporation*.
- (2) These procedures will be followed where, under statutory authority that has been delegated to the *Corporation*, the *Corporation* makes a registration decision for which an opportunity to be heard is required under *securities laws*.
- (3) Rule 9400 is divided into the following parts:
- Part A - Opportunities to be heard by a ~~senior decision officer~~ Senior Decision Officer
[sections 9403 through 9410]
- Part B - Opportunities to be heard by the Board
[sections 9411 through 9417]

9402. Definitions

- (1) The following terms have the meaning set out below when used in Rule 9400:

“decision maker”	Corporation staff with authority to make a decision in a hearing under Rule 9200.
“Registration <u>or Compliance Staff</u> ” <u>(personnel de l’inscription ou de la conformité)</u>	Refers to registration employees of the <i>Corporation</i> and employees of <i>Corporation</i> who conduct compliance examinations under Rule 9100.
<u>“regulatory decision”</u> <u>(décision en matière de réglementation)</u>	<u>A decision made under sections 9204, 9206, 9207 or 9208.</u>
“senior decision officer” <u>“Senior Decision Officer”</u> <u>(dirigeant responsable de la décision)</u>	A senior officer of the <i>Corporation</i> who has authority to make a decision to impose terms and conditions on a Dealer Member’s Membership in the Corporation under section 9208, <u>following an offer of an opportunity to be heard, to render regulatory decisions.</u>

PART A - OPPORTUNITIES TO BE HEARD BY A SENIOR DECISION OFFICER

9403. Opportunities to be heard by a ~~senior decision officer~~ Senior Decision Officer

- (1) The procedures in sections 9404 through 9410 apply where an applicant ~~has~~, Approved Person or Dealer Member requested an opportunity to be heard by a ~~senior decision officer pursuant to subsection 9208(2) or by the Corporation~~ Senior Decision Officer pursuant to subsection 9203(2).
- (2) These procedures are intended to ensure that opportunities to be heard by a ~~decision maker~~ Senior Decision Officer are handled in a way that ensures a fair hearing, without being unnecessarily formal.

9404. Counsel

- (1) A party to a proceeding under Rule 9400 may be represented by counsel or an agent.
- (2) If an applicant, *Approved Person* or *Dealer Member* is represented by counsel or an agent, *Registration or Compliance Staff* will communicate with the applicant, *Approved Person* or *Dealer Member* through counsel or the agent.

9405. Corporation Staff Notice

- (1) ~~If~~ When required to do so pursuant to subsection 9203(3), *Registration Staff* ~~recommends refusing to grant, revoking, or suspending a Corporation approval or that terms and conditions be imposed on an approval or Membership~~, *Registration or Compliance Staff* must send a letter to the applicant, *Approved Person* or *Dealer Member*, giving notice of *Registration or Compliance Staff's* recommendation and brief reasons for it.

9406. Response of applicant, Approved Person or Dealer Member

- (1) In section 9406 a “response” means the applicant, *Approved Person* or *Dealer Member* must inform *Registration or Compliance Staff* in writing if an applicant, *Approved Person* or *Dealer Member* wishes to be heard before a regulatory decision is made on *Registration or Compliance Staff's* recommendation.
- (2) A response must be delivered within 10 *business days* after receipt of *Registration or Compliance Staff's* letter, or within such shorter period of time as set out in such letter.
- (3) If a response is not delivered within the time set out in *Registration or Compliance Staff's* letter, *Registration Staff* will send its recommendation to the ~~decision maker~~ Senior Decision Officer for consideration.

9407. Choice of written submissions or appearance

- (1) Unless otherwise decided by a ~~decision maker~~ Senior Decision Officer, an opportunity to be heard will be conducted as an exchange of written submissions. However, an applicant, *Approved Person*, *Dealer Member* or *Registration or Compliance Staff* may request that the opportunity to be heard be conducted as an appearance:
 - (i) in the presence of a ~~decision maker~~ Senior Decision Officer,
 - (ii) by telephone conference, or
 - (iii) by other interactive electronic means acceptable to both *parties*.
- (2) A request that an opportunity to be heard be conducted as an appearance must be made to the ~~decision maker~~ Senior Decision Officer in writing, with a brief statement of the reasons for making the request, and the other *party* will be given an opportunity to object

to the request before the ~~decision-maker~~Senior Decision Officer decides whether to grant a request for an appearance.

- (3) A ~~decision-maker~~Senior Decision Officer may also decide on its own initiative that the opportunity to be heard will be conducted as an appearance, in which case the ~~decision-maker~~Senior Decision Officer must promptly inform the *parties* of its decision.

9408. Exchange of written submissions

- (1) This section describes the process to be followed if the opportunity to be heard is conducted by exchange of written submissions.
- (2) *Registration or Compliance Staff* must provide the applicant, *Approved Person* or *Dealer Member* with a written submission setting out the facts and law supporting *Registration Staff's* recommendation. *Registration or Compliance Staff's* submission must be delivered to the applicant, *Approved Person* or *Dealer Member* within 10 *business days* after *Registration or Compliance Staff* receives the applicant's, *Approved Person's* or *Dealer Member's* response (as defined in section 9406).
- (3) An applicant, *Approved Person* or *Dealer Member* must then provide *Registration Staff* with a written submission responding to *Registration or Compliance Staff's* submission, to be delivered within 10 *business days* after the applicant, *Approved Person*, or *Dealer Member* receives *Registration or Compliance Staff's* submission.
- (4) Subject to agreement of the *parties* or a *decision* of the ~~decision-maker~~Senior Decision Officer, there will only be one exchange of written submissions so that the ~~decision-maker~~Senior Decision Officer may render a decision without unnecessary delay; however, where the *parties* agree to make further submissions or either of them requests that the ~~decision-maker~~Senior Decision Officer allow further submissions, such agreement or request must be made within five *business days* after delivery of the applicant's, *Approved Person's* or *Dealer Member's* submission under subsection 9408(3).
- (5) Unless an agreement or request is made under subsection 9408(4), *Registration or Compliance Staff's* and the applicant's, *Approved Person's* or *Dealer Member's* respective submission will be delivered by *Registration or Compliance Staff* to the ~~decision-maker~~Senior Decision Officer within five *business days* after the applicant's, *Approved Person's* or *Dealer Member's* submission is delivered.
- (6) If an agreement or request is made under subsection 9408(4), the submissions of all *parties* will be delivered by *Registration or Compliance Staff* to the ~~decision-maker~~Senior Decision Officer when all submissions have been delivered or the time for their delivery has elapsed.

9409. Appearance before a ~~decision-maker~~Senior Decision Officer

- (1) This section describes the process to be followed if the opportunity to be heard is conducted as an appearance.
- (2) An appearance before a ~~decision-maker~~Senior Decision Officer will generally be an informal proceeding, and the *Rules of Procedure* do not apply.
- (3) At an appearance:

- (i) the ~~decision-maker~~Senior Decision Officer may ask any question and admit any evidence it thinks fit,
- (ii) witnesses may be called, examined and cross-examined with the consent of the ~~decision-maker~~Senior Decision Officer, and
- (iii) the applicant, *Approved Person* or *Dealer Member* and any witnesses may be required to give evidence under oath or affirmation.

9410. Decisions

- (1) Where an applicant, *Approved Person* or *Dealer Member* requests that an opportunity to be heard be conducted by exchange of written submissions, but fails to deliver submissions within the required time, the ~~decision-maker~~Senior Decision Officer may make its decision on *Registration* or Compliance Staff's recommendation and submissions without further notice or delay.

PART B - OPPORTUNITIES TO BE HEARD BY THE BOARD

9411. Opportunities to be heard by the Board

- (1) The procedures in sections 9412 through 9417 apply where an applicant has requested an opportunity to be heard by the *Board* in relation to an *application* for *Dealer Member Membership* in the *Corporation* as set out in section 9205.
- (2) These procedures are intended to ensure that opportunities to be heard by the *Board* are handled in a way that ensures a fair *hearing*, without being unnecessarily formal.

9412. Corporation Staff Notice

- (1) ~~If~~When required to do so pursuant to clause 9205(3)(ii), *Corporation* staff ~~recommends that the Board refuse to grant Membership in the Corporation, or that terms and conditions be imposed on Membership in the Corporation,~~ *Corporation* staff must send a letter to the applicant, giving notice of *Corporation* staff's recommendation and brief reasons for it.
- (2) When required to do so pursuant to clause 9205(3)(iii), Corporation staff must send a letter to the applicant, giving notice of the Board's intended decision and brief reasons for it.

9413. Response of applicant, Approved Person or Dealer Member

- (1) In section 9413 a "response" means the applicant must inform *Corporation* staff in writing if an applicant wishes to be heard before a decision is made ~~on Corporation staff's recommendation.~~
- (2) A *response* must be delivered within 10 *business days* after receipt of *Corporation* staff's letter, or within such shorter period of time as set out in such letter.
- (3) If a response is not delivered within the time set out in *Corporation* staff's letter, *Corporation* staff will send its recommendation to the *Board* for consideration.

9414. Choice of written submissions or appearance

- (1) An opportunity to be heard will be conducted as an exchange of written submissions, unless an applicant or *Corporation* staff requests that the opportunity to be heard be conducted as an appearance:
 - (i) in the presence of the *Board*,
 - (ii) by telephone conference, or
 - (iii) by other interactive electronic means acceptable to both *parties*.
- (2) A request that an opportunity to be heard be conducted as an appearance must be made to the *Board* in writing, with a brief statement of the reasons for making the request, by delivering a copy of the request to the *Corporation*. The other *party* will be given an opportunity to object to the request before the *Board* decides whether to grant a request for an appearance.
- (3) The *Board* may also decide on its own initiative that the opportunity to be heard will be conducted as an appearance, in which case the *Board* must promptly inform the *parties* of its decision.

9415. Exchange of written submissions

- (1) This section describes the process to be followed if the opportunity to be heard is conducted by exchange of written submissions.
- (2) *Corporation* staff must provide the applicant with a written submission setting out the facts and law supporting:
 - (i) *Corporation* staff's recommendation, pursuant to clause 9205(3)(ii) and;
 - (ii) the *Board's* intended decision, if applicable pursuant to clause 9205(3)(iii).
 which submission must be delivered to the applicant within 10 *business days* after *Corporation* staff receives the applicant's *response* (as defined in section 9413).
- (3) An applicant must then provide *Corporation* staff with a written submission responding to staff's submission, to be delivered within 10 *business days* after the applicant receives *Corporation* staff's submission.
- (4) Subject to agreement of the *parties* or a decision of the *Board*:
 - (i) there will only be one exchange of written submissions so that the *Board* may render a decision without unnecessary delay, and
 - (ii) where the *parties* agree to make further submissions or either of them requests that the *Board* allow further submissions, such agreement or request must be made within five *business days* after delivery of the applicant's submission under subsection 9415(3).
- (5) Unless an agreement or request is made under subsection 9415(4), *Corporation* staff's and the applicant's respective submission will be provided to the *Board* within five *business days* after the applicant's submission is delivered.
- (6) If an agreement or request is made under subsection 9415(4), the submissions of all *parties* will be provided to the *Board* when all submissions have been delivered or the time for their delivery has elapsed.

9416. Appearance before the Board

- (1) This section describes the process to be followed if the opportunity to be heard is conducted as an appearance.
- (2) An appearance before the *Board* will generally be an informal proceeding, and the *Rules of Procedure* do not apply.
- (3) At an appearance:
 - (i) the *Board* may ask any question and admit any evidence it thinks fit,
 - (ii) witnesses may be called, examined and cross-examined with the consent of the *Board*, and
 - (iii) the applicant and any witnesses may be required to give evidence under oath or affirmation.

9417. Decisions

- (1) Where an applicant requests that an opportunity to be heard be conducted by exchange of written submissions, but fails to deliver submissions within the required time, the *Board* may make its decision on *Corporation* staff's recommendation and submissions, or its intended decision, as applicable pursuant to clause 9205(3), without further notice or delay.

9418. – 9499. Reserved.

Appendix 4 – Impact Analysis of the Phase 4 Proposed DC Rules

Impact Assessment Table

In the impact assessment table below, we list:

- the major policy elements of the Phase 4 Proposed DC Rules,
- a description of the intended policy benefits of each element, and
- an assessment of its impact on clients, investment dealers, mutual fund dealers, and CIRO itself.

Conclusions

Individual approval rules

We concluded that, if approved, the individual approval rules would result in reduced potential for regulatory arbitrage by harmonizing across Dealer Members:

- the Approved Person regime and corresponding proficiency requirements,
- general requirements for Directors and Executives,
- the requirement to manage significant areas of risk, and
- CIRO review procedures for approvals and Membership.

We have assessed the impact of these changes as having an overall positive impact on clients, Dealer Members and CIRO staff. While there could be some negative impacts to mutual fund dealers regarding the Approved Person requirements and corresponding approval process, we concluded these impacts were outweighed by the overall positive impacts these changes would have.

Business conduct and client account rules

We concluded that, if approved, the business conduct and client account rules would result in a more consistent application of substantive requirements. Although such obligations were significantly harmonized pursuant to the Client Focussed Reforms, the DC Rules adopt an approach that provides all Dealer Members with consistent obligations, but more operational flexibility as to how that is achieved.

Overall Assessment

We have assessed the impact of the changes being introduced as part of the Phase 4 Proposed DC Rules as having an overall positive impact on clients, Dealer Members, and CIRO Staff. While there may be some negative impacts to mutual fund dealers, we concluded these impacts were outweighed by the overall net-positive impacts the Phase 4 Proposed DC Rules would have.

Cost Estimate

We do not know the dollar magnitude of the collective impacts of the Phase 4 Proposed DC Rules, and we cannot determine it without detailed stakeholder feedback. For example, the harmonization of the CFO requirements will require many mutual fund dealers to hire for a new role. However, the remaining Phase 4 Proposed DC Rules are not expected to have any significant monetary costs to mutual fund dealers and clients (though more time may be required for mutual fund dealers to allow Approved Persons in scope through to proceed through the CIRO Approved Person process).

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
Delegation and automation					
Introduction of requirements when using automation.	Ensure the use of automation within a Dealer Member is properly regulated.	<i>Neutral</i> – No change for clients.	<i>Minor Positive</i> – investment dealers will have clarity regarding the applicable requirements when using automation.	<i>Minor Positive</i> – mutual fund dealers will have clarity regarding the applicable requirements when using automation.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have clear requirements when reviewing material changes to business activities proposing to use automation.
Investment product					
Introduction of investment products definition.	Ensure harmonization and clarity for investment dealers and mutual fund dealers with respect to specified investment products.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No significant impact or imposition of a new substantive requirement on investment dealers.	<i>Neutral</i> – No significant impact or imposition of a new substantive requirement on mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent and clear requirements.
Approved Person regime, proficiency requirements, and managing significant areas of risk					
Extend existing CIRO approval process and corresponding proficiency requirements to Approved Person categories of mutual fund dealers where those categories are not subject to an underlying securities legislation registration requirement, i.e. Supervisors, Executives, Directors, and Chief Financial Officers.	Ensure a level playing field for investment dealers and mutual fund dealers, increase investor protection and confidence, and minimize industry confusion.	<i>Minor positive</i> – clients of mutual fund dealer members will indirectly benefit from a CIRO approval process (an increased level of review) and increased proficiency requirements in those categories where none existed previously.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Net negative</i> – mutual fund dealers will be required to obtain CIRO approval for the affected categories of Approved Persons, some of which will also now be subject to proficiency requirements where no proficiency requirements previously applied	<i>Minor negative</i> – CIRO staff will receive more approval requests, which will increase the administrative work required to process these applications

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
Allow Approved Person categories of mutual fund dealers that rely on registration and proficiency requirements under National Instrument 31-103 to meet Approved Person requirements.	Avoid undue regulatory burden on mutual fund dealers.	<i>Neutral</i> – We do not anticipate any impact to clients.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Neutral</i> – We do not anticipate any impact on mutual fund dealers.	<i>Neutral</i> – We do not anticipate any impact on CIRO.
Harmonize defined Approved Person category for registered representatives and dealing representatives across Dealer Members.	Clarify that these individuals fulfill the same general functions across both types of Dealer Members.	<i>Minor positive</i> – limit client confusion in respect of which Approved Person categories are permitted to participate in the registerable activity of ‘dealing’ via their sponsoring Dealer Member.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Minor negative</i> – the change in title may require internal and external communication.	<i>Neutral</i> – We do not anticipate any impact on CIRO.
Harmonize defined Approved Person category for Supervisors and branch managers across Dealer Members.	Clarify that these individuals fulfill the same general functions across both types of Dealer Members.	<i>Minor positive</i> – limit client confusion	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Minor negative</i> – the change in title may require changes to client communication	<i>Neutral</i> – We do not anticipate any impact on CIRO.
Maintain proficiency requirements for Supervisors across Dealer Members.	Avoid undue regulatory burden on mutual fund dealers.	<i>Neutral</i> – Note that there may be some minor confusion for clients with accounts at investment dealers and mutual fund dealers if that the Supervisors of those accounts are subject to different proficiency standards.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Neutral</i> – We do not anticipate any impact on mutual fund dealers.	<i>Neutral</i> – We do not anticipate any impact on CIRO.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
Clarifying the definition of Executive.	Reduce industry confusion.	<i>Neutral</i> – We do not anticipate any impact to clients.	<i>Minor positive</i> – decrease in approval applications for individuals who are not intended to be captured under the definition of Executive.	<i>Neutral</i> – We do not anticipate any impact on mutual fund dealers.	<i>Minor positive</i> – the clarification will lead to a decrease in requests for clarification and approval applications for individuals who are not intended to be captured under the definition of Executive.
Harmonize rules regarding the management of significant areas of risk across Dealer Members.	Ensure a level playing field for investment dealers and mutual fund dealers, increase investor protection and confidence and minimize industry confusion.	<i>Minor positive</i> – clients of mutual fund dealer members will indirectly benefit from having significant areas of risk covered by individuals whose proficiency and experience has been approved by CIRO.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Neutral</i> – mutual fund dealers can opt to rely on existing Executive roles, namely UDP and CCO to fulfill the proposed role, assuming their oversight structure is sufficient for their business and they meet all requirements under the Proposed DC Rules	<i>Neutral</i> – We do not anticipate any impact on CIRO
Harmonize defined title and Approved Person category for Directors across Dealer Members.	Clarify that these individuals fulfill the same general functions across both types of Dealer Members.	<i>Minor positive</i> – limit client confusion.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Neutral</i> – We do not anticipate any impact on mutual fund dealers.	<i>Neutral</i> – We do not anticipate any impact on CIRO.
Amendments to the general requirements for Directors.	Reduce industry confusion.	<i>Neutral</i> – We do not anticipate any impact to clients.	<i>Net positive</i> – reduce regulatory burden and align requirements with corporate law for investment dealers.	<i>Neutral</i> – We do not anticipate any impact on mutual fund dealers.	<i>Minor positive</i> – the clarification will lead to a decrease in requests for clarification and approval applications for individuals who were not intended to be captured under the definition of Director.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
Apply the CFO requirement across Dealer Members.	Ensure a consistent level of financial subject matter expertise, ensure CFO contribution to Form 1.	<i>Minor positive</i> – clients will indirectly benefit from increased financial subject expertise and oversight.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Net negative</i> – mutual fund dealers will need to have a CFO. Note that this impact may change according to the scalability principle (see the question posed in section 5 of this Bulletin).	<i>Net positive</i> – consistent financial subject expertise will facilitate discussions with Dealer Members on financial matters.
National Registration Database					
Apply NRD requirements across Dealer Members.	Ensure a level playing field for investment dealers and mutual fund dealers and minimize industry confusion.	<i>Neutral</i> – We do not anticipate any impact to clients.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Neutral</i> – We do not anticipate any impact on mutual fund dealers.	<i>Neutral</i> – We do not anticipate any impact on CIRO.
CIRO review procedures for approvals and Membership					
Streamline the decision review process for regulatory decisions.	Create consistency in the decision review process.	<i>Neutral</i> – We do not anticipate any impact to clients.	<i>Minor positive</i> – investment dealer member applicants who have been refused a proficiency or continuing education exemption will have access to a Hearing Panel for review.	<i>Minor positive</i> – mutual fund dealer member applicants who have been refused a proficiency or continuing education exemption will have access to a Hearing Panel for review.	<i>Minor negative</i> – additional reviews by a Hearing Panel will increase CIRO's administrative work.
Clarifying changes to titles, definitions, and section headings.	Clarify the scope of sections and Rules.	<i>Neutral</i> – We do not anticipate any impact to clients.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Neutral</i> – We do not anticipate any impact on mutual fund dealers.	<i>Neutral</i> – We do not anticipate any impact on CIRO.
Application of the regulatory decision process and review regime across Dealer Members.	Ensure consistency in CIRO's authority to decide on applications and ensure consistent procedural safeguards and review	<i>Neutral</i> – We do not anticipate any impact to clients.	<i>Neutral</i> – We do not anticipate any impact on investment dealers.	<i>Net negative</i> – mutual fund dealer members will be subject to more thorough procedures and the possible imposition of terms and	<i>Minor negative</i> – More thorough procedures relating to both Approved Persons and mutual fund dealers will

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	opportunities across Dealer Members.			conditions on both their Approved Persons and Membership.	increase CIRO's administrative work
Improved opportunity to be heard by the Board on Membership applications, applicable across Dealer Members.	Ensure consistency in CIRO's authority to decide on applications and ensure consistent procedural safeguards that apply across Dealer Members	<i>Neutral</i> – We do not anticipate any impact to clients	<i>Minor positive</i> – investment dealer applicants will have an opportunity to be heard by the Board on the decision it intends to make	<i>Minor positive</i> – mutual fund dealer applicants will have an opportunity to be heard by the Board on the decision it intends to make, instead of a right of review by the Board after the Board renders a decision	<i>Minor negative</i> – Increased procedural obligations and safeguards will increase CIRO's administrative work
Business conduct and Client account rules					
Harmonization of conflicts of interest policies and procedures requirements.	Ensure harmonization and clarity for investment dealers and mutual fund dealers.	<i>Minor positive</i> – Clients of either type of <i>Dealer Member</i> will benefit from conflict of interest policies and procedures.	<i>Neutral</i> – No change for investment dealers.	<i>Neutral</i> – No significant impact or imposition of a new substantive requirement on mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Personal financial dealings - application to employees.	Ensure prohibition on engaging in personal financial dealings with clients also applies to employees of all CIRO <i>Dealer Members</i> .	<i>Positive</i> – Clients will benefit from the requirements for <i>Dealer Members</i> to manage this potential source of conflicts of interest.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Negative</i> – <i>mutual fund dealers</i> will have to amend their internal policies and compliance tracking procedures to ensure compliance with this provision.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of exceptions regarding personal financial dealings – accepting any consideration.	Ensure a level playing field by applying IDPC Rules exceptions to both investment dealers and mutual fund dealers.	<i>Neutral</i> – No anticipated impact for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will be subject to the same exceptions as investment dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
Harmonization of prohibition regarding settlement agreements without the Dealer Member's approval.	Ensure a level playing field by applying IDPC Rules prohibition on settlement agreements without the <i>Dealer Member's</i> approval to both investment dealers and mutual fund dealers.	<i>Minor Positive</i> – Client protection will benefit from the harmonized prohibited financial dealing.	<i>Neutral</i> – No change for investment dealers.	<i>Neutral</i> – No material impact on mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding borrowing from clients.	Ensure a level playing field by applying IDPC Rules prohibition and exceptions regarding borrowing from clients to both investment dealers and mutual fund dealers.	<i>Neutral</i> – No anticipated impact for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will be subject to the same exceptions as investment dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding lending to clients.	Ensure a level playing field by applying IDPC Rules prohibition and exception regarding lending to clients to both investment dealers and mutual fund dealers.	<i>Neutral</i> – No anticipated impact for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will be subject to the same exception as investment dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding control or authority.	Ensure a level playing field by applying harmonized prohibition and exceptions to both investment dealers and mutual fund dealers regarding accepting control or authority over a client's affairs.	<i>Minor Positive</i> – Avoid the issues and complications that arise when the arrangement is required to be unwound at the time it takes effect.	<i>Positive</i> – Better able to manage conflicts before they occur by prohibiting <i>Approved Persons</i> from accepting control or authority over clients' affairs.	<i>Neutral</i> – This does not represent a change for mutual fund dealers.	<i>Positive</i> – CIRO staff who monitor compliance will have consistent requirements and will be subject to fewer exemption requests.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
Introduce a provision regarding beneficiary status and estate bequests.	Provide an explicit provision regarding the prohibition and exceptions concerning beneficiary status or receiving a bequest from a client's estate.	<i>Positive</i> – Enhance client protection in the context of such conflicts of interest.	<i>Minor Positive</i> – Provide clear compliance criteria to help address conflicts of interest involving beneficiary status and estate bequests.	<i>Minor Positive</i> – Provide clear compliance criteria to help address conflicts of interest involving beneficiary status and estate bequests.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent and explicit requirements.
Introduce a harmonized referral arrangements provision.	Provide extra clarity via a harmonized provision applicable to both investment dealers and mutual fund dealers that is consistent with National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.	<i>Neutral</i> – No change for clients.	<i>Minor Positive</i> – Provide extra clarity regarding referral arrangements.	<i>Neutral</i> – This provision is currently contained in MFD Rules	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements
Know-Your-Client.	Specify that the requirement to establish whether the client is an insider of a reporting issuer, or of any other issuer whose securities are publicly traded is imposed only on investment dealers.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Neutral</i> – Such obligations are not required of mutual fund dealers.	<i>Neutral</i> – No change for CIRO.
Harmonization of requirements regarding identifying partnerships or trusts and corporations.	Ensure a level playing field by adopting the IDPC Rules provisions requiring disclosure of the names and addresses of all trustees	<i>Minor Negative</i> – Mutual fund dealer clients may have to provide more disclosure in certain cases.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Negative</i> – mutual fund dealers will have to collect more client information in certain cases.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	and known beneficiaries and settlors of the trust. Also, require that the names of all directors of a corporation be disclosed within 30 days of opening the account.				
Obligation to keep current.	Ensure that KYC information is updated with a requirement that mutual fund dealers review the client's information within 12 months when transacting in securities that require registration, under securities legislation, as an Exempt Market Dealer.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Neutral</i> – No change for mutual fund dealers.	<i>Neutral</i> – No change for CIRO.
Harmonization of requirements regarding account opening policies and procedures – opening new client accounts.	Standardize requirements by applying the IDPC Rules provisions to both investment dealers and mutual fund dealers that specifically set out the elements that must be included in policies and procedures in respect of account opening.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will have consolidated obligations in the same set of provisions as investment dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding updating client accounts.	Standardize requirements by applying the IDPC Rules provisions to both investment dealers and	<i>Neutral</i> – No significant change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> - mutual fund dealers will be subject to the same principles based	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	mutual fund dealers requiring that policies and procedures specifically address that significant changes to client information are approved in the same manner as a new client account application.			requirements as investment dealers.	
Current client account information.	Standardize requirements by adopting a provision permitting mutual fund dealers to use a copy of a client's current account information where they are transacting in securities that require registration under securities regulation as an Exempt Market Dealer, where the account was approved in the past 12 months.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Neutral</i> – No change for mutual fund dealers.	<i>Neutral</i> – No change for CIRO.
Harmonization of requirements regarding relationship disclosure.	Standardize requirements by applying the IDPC Rules provisions to both investment dealers and mutual fund dealers relating to relationship disclosure.	<i>Positive</i> – More comprehensive relationship disclosure.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Negative</i> - mutual fund dealers will have to adapt to more comprehensive relationship disclosure.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Accepting specific account types.	Adopt modified provisions clarifying the acceptance of specific account types that can be offered by investment dealers, namely	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – Clearer rule requirement drafting for investment dealers.	<i>Neutral</i> – No change for mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have clearer requirements.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	derivatives accounts, discretionary accounts, and managed accounts.				
Use of “investments” and “securities” terminology.	Adopt the MFD Rules approach of including a broader “investments” definition in addition to the narrower definition of “securities”.	<i>Positive</i> – More comprehensive application of sales conduct requirements.	<i>Neutral</i> – The core sales conduct requirements already apply to most investment products. The broader “investments” definition should have only minor impacts depending on the nature of the product.	<i>Neutral</i> – The proposed approach is retained from the current MFD Rules.	<i>Minor Positive</i> – CIRO staff who monitor will have comprehensive application of sales conduct requirements depending on the nature of the product.
Harmonization of requirements regarding the leverage risk disclosure statement.	Standardize requirements by applying the IDPC Rules provisions to both investment dealers and mutual fund dealers regarding the leverage risk disclosure statement.	<i>Neutral</i> – No significant change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Neutral</i> – The requirements are substantially similar to existing mutual fund dealer obligations .	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding retail client suitability determination.	Standardize requirements by applying the IDPC Rules provisions to both investment dealers and mutual fund dealers regarding the determination of whether it is suitable for a retail client to continue having an account and the scope of products, services and account relationships.	<i>Neutral</i> – No significant change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Neutral</i> – Not a new burden for mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding retail client suitability – account portfolio.	Standardize requirements by applying the IDPC Rules requirement to both investment dealers and mutual fund dealers that the client’s account	<i>Neutral</i> – No significant change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Neutral</i> – Not a new burden for mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	portfolio of investments that would result from the investment action is suitable for the retail client and puts the retail client's interest first.				
Harmonization of requirements regarding retail client suitability – response time.	Ensure a level playing field by applying the IDPC Rules requirement to both investment dealers and mutual fund dealers that responses to specific events or changes in the client's account occur within a reasonable time.	<i>Neutral</i> – No significant change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – <i>mutual fund dealers</i> will have more flexibility without impairing investor protection.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding retail client suitability – advising.	Enhance investor protection by applying MFD Rules provisions to both investment dealers and mutual fund dealers regarding advice/recommendations following a non-suitability determination.	<i>Minor Positive</i> – More comprehensive response requirements following a non-suitability determination.	<i>Minor Negative</i> - investment dealers will have to adapt policies and procedures accordingly.	<i>Neutral</i> – Not a new burden for mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Require steps be taken after an unsuitable investment is found in a client account.	Require remedial steps to address unsuitable investments in order to protect the client's interests.	<i>Minor Positive</i> – More comprehensive leverage strategy requirements.	<i>Neutral</i> – this represents existing practice and will not impose an additional burden.	<i>Neutral</i> – Not a new burden for mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding retail client suitability – leverage strategies.	Ensure a level playing by adopting a provision requiring <i>Dealer Members</i> to have policies and procedures to assess the suitability of leverage	<i>Minor Positive</i> – More comprehensive leverage strategy requirements.	<i>Minor Negative</i> - Investment dealers will have to adapt policies and procedures accordingly.	<i>Neutral</i> – Not a new burden for mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	strategies, the process of approval for such strategies, and related documentation requirements.				
Harmonization of requirements regarding advertisements, sales communication and client communication.	Ensure a level playing field by applying the IDPC Rules requirement to both investment dealers and mutual fund dealers regarding the review and approval of advertisements, sales communication and client communication.	<i>Neutral</i> – No significant change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will be able to apply a risk-based approach to review.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding prohibited communications.	Ensure a level playing field by applying the MFD Rules provision to both investment dealers and mutual fund dealers prohibiting images that convey a misleading impression.	<i>Net Positive</i> – More comprehensive communication requirements.	<i>Minor Negative</i> – Investment dealers will have to adapt policies and procedures accordingly.	<i>Neutral</i> – No change for mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Withdraw the prohibition detailed at MFD Rule 2.8.2(e).	Reduce regulatory burden by not including the client communication prohibition at MFD Rule 2.8.2(e).	<i>Neutral</i> – No significant change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will have clearer client communication requirements.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have clearer requirements.
Harmonization of requirements regarding reasonable assurance.	Ensure a level playing field by applying the IDPC Rules provision to both investment dealers and mutual fund dealers requiring reasonable assurance that employees and <i>Approved</i>	<i>Minor Positive</i> – More comprehensive communication requirements.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Negative</i> – mutual fund dealers will have to adapt policies and procedures to more comprehensive communication provision.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have clearer requirements.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	Persons are familiar with communication policies and procedures and that measures are taken to ensure compliance.				
Harmonization of requirements regarding advertisement retention periods.	Standardize practice by applying the IDPC Rules provision to both investment dealers and mutual fund dealers regarding retaining copies of all advertisements, sales literature and correspondence and all records of supervision for the applicable retention periods.	<i>Neutral</i> – No significant change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will have more specific communication retention requirements.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have clearer requirements.
MFD Rule 2.8.3 - Rates of Return.	Reduce regulatory burden by not including the requirement for specific disclosure and approval for any reference to rates of return for accounts other than in the investment performance reports at MFD Rule 2.8.3.	<i>Neutral</i> – No significant change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will have clearer misleading information requirements.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have clearer requirements.
Harmonization of requirements regarding the delegation of Supervisory tasks.	Ensure a level playing field by applying the IDPC Rules provision to both investment dealers and mutual fund dealers which permits delegation of <i>Supervisory</i> tasks,	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Positive</i> - mutual fund dealers will require fewer exemptions as the default position is to permit delegation, unless otherwise stated.	<i>Positive</i> – CIRO staff who monitor compliance will have consistent requirements and fewer exemption requests.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	unless specifically prohibited.				
Responsibilities of UDP/CCO/CFO.	Ensure a level playing field by applying the IDPC Rules regarding these responsibilities to the applicable categories of Approved Persons of both investment dealers and mutual fund dealers.	<i>Minor positive</i> – Limits client confusion by streamlining and harmonizing responsibilities across dealers.	<i>Neutral</i> – No change for investment dealers.	<i>Net-neutral</i> – the principles-based requirements for UDP and CCO are largely consistent with existing responsibilities. The minor negative of new responsibilities being assigned to a CFO are offset by these responsibilities no longer falling under the purview of the UDP and CCO.	<i>Net-neutral</i> – Requirements that impact CIRO staff will be streamlined across dealers. Potential additional volume (given more Approved Persons are now in scope) may be mitigated by efficiencies of scale.
Harmonization of requirements regarding the governance document.	Standardize practice by applying the IDPC Rules provision to both investment dealers and mutual fund dealers requiring the filing of a governance document setting out the organizational structure and reporting relationships of the Dealer, as well as any notice of material changes to the information in the document.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Negative</i> – Notices of material change to governance document will be an additional regulatory requirement.	<i>Minor Positive</i> – Ensure that CIRO has current governance information.
Harmonization of requirements regarding the supervision of shared office premises.	Standardize practice by applying the IDPC Rules provision to both investment dealers and mutual fund dealers	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Negative</i> – mutual fund dealers will have to adapt policies and procedures accordingly.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	requiring policies and procedures that specifically address the supervision requirements to ensure compliance with the requirements related to shared office premises.				
Harmonization of requirements regarding supervision by designated persons.	Standardize practice by applying the IDPC Rules provision to both investment dealers and mutual fund dealers regarding the designation of appropriate Supervisors.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> - mutual fund dealers will be subject to the same principles-based requirements as investment dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding account supervision policies and procedures.	Standardize practice by applying the IDPC Rules provision to both investment dealers and mutual fund dealers regarding account supervision policies and procedures.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will be subject to the same principles-based requirements as investment dealers and the requirements will be centralized in one location, but some amendments to policies and procedures will be required.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Harmonization of requirements regarding daily and monthly trade supervision.	Standardize practice by applying the IDPC Rules provision to both investment dealers and mutual fund dealers regarding daily and	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will be subject to the more principles-based but	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.

Description of proposed requirement	Related intended benefits	Impact on clients	Impact on investment dealers	Impact on mutual fund dealers	Impact on CIRO
	monthly trade supervision.			similar requirements as investment dealers.	
Identifiable account types for Supervisory purposes.	Enhance investor protection by adopting the MFD Rules requirement for mutual fund dealers to make certain account types readily identifiable for <i>Supervisory purposes</i> .	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Neutral</i> – No change for mutual fund dealers.	<i>Neutral</i> – No change for CIRO.
Harmonization of requirements regarding the supervision of new Registered Representatives and Investment Representatives.	Standardize practice by applying the IDPC Rules provision to both investment dealers and mutual fund dealers regarding close supervision of new <i>Registered Representatives and Investment Representatives</i> dealing with retail clients for six months after their approval.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – No change for investment dealers.	<i>Minor Positive</i> – mutual fund dealers will be subject to the same principles-based requirements as investment dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have consistent requirements.
Supervision of specific account types.	Adopt modified version of IDPC provisions clarifying the supervision of specific account types that can be offered by investment dealers, namely derivatives accounts, discretionary accounts, and managed accounts.	<i>Neutral</i> – No change for clients.	<i>Neutral</i> – Clearer rule requirement drafting for investment dealers.	<i>Neutral</i> – No change for mutual fund dealers.	<i>Minor Positive</i> – CIRO staff who monitor compliance will have clearer requirements.

Appendix 5 – Derivatives Disclosure Statement (as required under DC Rule section 3251)

This risk disclosure statement does not disclose all of the risks and other significant considerations associated with trading in derivatives. In light of the variety of risks involved, you should undertake such transactions only if you understand the nature of the contracts, the contractual relationships into which you are entering and the extent of your exposure to risk. Trading in derivatives is not suitable for everyone and often entails a high level of risk. Trading in derivatives should be made with caution and you should carefully consider whether such transactions are appropriate for you in light of your personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon, and other relevant circumstances. You should consult with your own business, legal, tax and account advisers before engaging into such transactions.

You may lose more than the amount of funds deposited

A characteristic of many derivatives is that you are only required to deposit funds that correspond to a portion of your total potential obligations and yet your profits or losses are based on changes in the total value of the derivative. This inherent leverage characteristic means that losses incurred can greatly exceed the amount of funds deposited. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit. Your dealer may require you to deposit additional funds on short notice to maintain your position as the value of the derivative changes. If you fail to deposit these funds, your dealer may close out your position at a loss without warning and you will be liable for any resulting deficit in your account.

Using borrowed funds carries greater risk

Using borrowed funds to finance a derivatives transaction involves greater risk than using cash resources only. If you borrow money, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the derivative declines.

Deposited cash and property

You should familiarize yourself with the protections accorded to money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules.

Commission and other charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

Fluctuations in price or value

The price and value of derivatives can be adversely affected by volatile market conditions and such occurrences may significantly increase your risk exposure. There are a variety of market factors and conditions which can directly or indirectly affect derivatives such as market demand and supply, interest rate, foreign currency exchange rate, indices, commodity prices, equity prices, investor perception and other political or economic factors. Since derivatives are linked to one or multiple underlying interests, the price or value of the derivatives may also be subject to considerable fluctuations due to the risks associated with the underlying interest. The level of sensitivity of an underlying interest with specific market conditions can have wide implications on the value of derivatives linked to that underlying

interest. For example, when two or more factors are affecting one or more underlying interests of a derivative, its value may become unpredictable. A small movement in the price of one underlying interest can cause a sudden and large fluctuation in a derivative's value.

Hedging and risk management strategies

Hedging transactions may require constant monitoring. A failure to adjust your hedging transaction in light of changing market conditions may result in the position becoming either under-hedged or over-hedged and losses can ensue.

The placing of certain orders (e.g. "stop-loss" or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as "spread" and "straddle" positions may be as risky as taking simple "long" or "short" positions.

Listed derivatives

Under certain market conditions, you may find it difficult or impossible to liquidate or offset an existing position on a marketplace (e.g. buy-to-close or sell-to-close order). This can occur, for example, when the market reaches a daily price fluctuation limit ("daily price limit" or "circuit breakers").

You should ask your dealer about the terms and conditions of the specific derivatives which you are trading and associated obligations. Under certain circumstances the specifications of outstanding contracts may be modified by the marketplace or clearing house to reflect changes in the underlying interest.

Over-the-counter derivatives

Over-the-counter derivatives (OTC derivatives) trading is not done on a marketplace. Your dealer is your trading counterparty. When you sell, your dealer is the buyer and when you buy, your dealer is the seller. As a result, when you lose money trading, your dealer may be making money on such trades, in addition to any fees, commissions, or spreads it may charge.

An electronic trading platform for trading OTC derivatives such as contracts for difference and foreign exchange contracts is not a marketplace. It is an electronic connection for accessing your dealer. You are accessing that trading platform only to transact with your dealer. You are not trading with any other entities or clients of the dealer by accessing such platform. The availability and operation of any such platform, including the consequences of the unavailability of the trading platform for any reason, is governed only by the terms of your account agreement with the dealer.

You are limited to your dealer to offset or liquidate any trading positions since the transactions are not made on a marketplace. As such, it may be difficult or impossible to liquidate an existing position. The customized nature of certain OTC derivatives may also add to illiquidity.

The terms of OTC derivative contracts are generally not standardized, and the prices and characteristics are often individually negotiated with your dealer. A central source to obtain or compare prices may not exist. It may be difficult to assess the value, to determine a fair price or to assess the exposure to risk. You should ask your dealer about the terms and conditions of the OTC derivative contracts you are trading and understand the related rights and obligations.

Appendix 6 – Monthly Supervision Report (as required under DC Rule section 3947)

MEMBER FIRM: _____ **MONTH:** _____

**Registered Representative/ Investment Representative
Monthly Supervision Report
under the CIRO Dealer and Consolidated Rules**

I hereby certify that supervision has been conducted on _____

for the month of _____, 20 ____ by the undersigned. The following are

among the principal areas that have come under particular scrutiny:

1. All Buy and sell orders have been reviewed promptly, by the next day at the latest.
2. All client accounts of the approved person have been reviewed on a monthly basis.
3. A review of trading activity on a daily basis has been conducted relative to the approved person's personal and related accounts.
4. No client complaints relating to this approved person have been received during the period covered
5. Comment by Supervisor on reasons for inability to comply with any of the above.

Date

Signature of Officer, Director, Sales Manager, Supervisor

Name of Officer, Director, Sales Manager, Supervisor



SUPERVISION REPORT

Traders

To be Filed with the Canadian Investment Regulatory Organization (CIRO)

I hereby certify that supervision for the month ending _____, 20____ of the activities of _____(the Approved Person) has been conducted and evidence to support the review has been retained. I further certify the following:

All orders, both buy and sell of the Approved Person, have been reviewed by a qualified Supervisor by the next business day;

The inventory blotter specific to the Approved Person’s pro trading has been reviewed by a qualified Supervisor by the next business day;

All trades of the Approved Person have been reviewed by a qualified Supervisor on a daily and monthly basis;

A review of trading activity on a daily basis has been conducted by a qualified Supervisor relative to the Approved Person’s personal accounts and no regulatory issues or concerns have been identified;

No complaints of any nature have been received during the period covered. If there have been reportable complaints, identify the Gatekeeper or ComSet number(s) and any follow up action initiated by the firm if not disclosed on Gatekeeper or ComSet. If there have been complaints not identified on Gatekeeper or ComSet, details have been provided below;

If the activity that led to the supervision has reoccurred, details have been provided below; and

Reasons for the inability to comply with any of the above and disclosure of any issues or concerns identified during the period under review have been provided below.

Date

Signature of Supervisor

Name of Supervisor
(please print)

Employing Dealer Member