



RE: CIRO RULE CONSOLIDATION PROJECT - PHASE 4

February 04, 2025



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February 4, 2025

Attention:

Member Regulation Policy

Canadian Investment Regulatory Organization
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Toronto, Ontario M5H 0B4
E-mail: memberpolicymailbox@ciro.ca

Dear Mr. Sir/Madam:

We generally support CIRO's ongoing efforts to consolidate the Investment Dealer and Partially Consolidated Rules (the "IDPC Rules") and the Mutual Fund Dealer Rules (the "MFD Rules") into the proposed Dealer and Consolidated Rules (the "DC Rules"). We appreciate the significant amount of time and resources that CIRO has devoted to its Rule Consolidation Project.

EXECUTIVE SUMMARY

Our comments and recommendations on the proposed DC Rules are detailed in this letter and supporting appendices. In summary, we raise the following concerns:

i. Procedural Fairness and Simplicity

The timing and scope of Phase 4, which includes a substantial number of rules drawn from a disparate selection of rule series raises concern. We note, for example, that the table of concordance appended to CIRO's request for comments includes over 1,000 rules and subrules, which originate from largely unrelated areas of the DC Rules and raise discrete policy issues

Despite this, CIRO's request for comments was published towards the end of the calendar year with a technical 90-day response period running over the holiday period and amid several other consultations occurring at the same time. To ensure that interested parties can provide substantive and complete comments, we request that CIRO set public consultation deadlines that reflect the volume and complexity of rules that are addressed in each phase of the project. A comprehensive and meaningful consultation process brings benefits to the policy making process and improves policy outcomes.

Similarly, we recommend that future phases of the Rule Consolidation Project better align with the ongoing and separate consultation processes that have been undertaken by CIRO and other securities regulators. We note, for example, that the OEO account rules that are included in Phase 4 are also the subject matter of a separate but concurrent consultation. Additionally, Phase 4 includes proficiency rules that reference outdated courses and that are currently being reviewed as part of a separate initiative.

ii. Jurisdiction Has Been Exceeded

CIRO's proposed definition of "investment product" purports to give CIRO the authority to expand its own jurisdiction over any product that CIRO's deems an "investment project". CIRO's proposed rules also seek to assume jurisdiction over exempt market dealers. These proposals give rise to significant concerns. CIRO's jurisdiction derives from recognition orders of each member of the Canadian Securities' Administrators. Should that jurisdiction be proposed to be expanded, it must be subject to proper

processes including a cost-benefit analysis and public consultation, which is well outside the scope of the Rule Consolidation Project.

iii. Technology Neutral Principles Should be Upheld

CIRO's proposed rules on automation are unnecessary and contrary to CRO's proper principle that securities regulation should be technology neutral.

iv. Greater Householding Can Be Accommodated

The IIAC has previously recommended that CRO's approach to householding be expanded to reflect the needs and interests of Canadians. We refer you to the following correspondence:

- [Regulatory-Approaches-Must-Keep-Progressing-To-Help-Household-Finances](#)
- [Prioritizing-Household-Needs](#)
- [Supporting-Household-Needs.pdf](#)
- [Changing Regulation to Meet Investor Expectations: People and Households](#)
- [Suitability-Considerations-Households](#)

We have carefully reviewed the Phase 4 rule proposals including, in particular, Rules 3203 (Know Your Client), Rules 3211 (Account Appropriateness), 3215 (Updating Accounts), and 3402 (Retail Client Account Suitability Determination Requirements). These rules can accommodate the important policy goal of allowing clients to manage finances on a household level.

RULE SERIES 1000 – INTERPRETATION AND PRINCIPLES RULES

Our comments on DC Rule Series 1000 are set out below and a blackline comparison of our recommended revisions to Rule Series 1000 is attached as **Appendix "A"**.

i. Rule 1103 – Delegation and Automation

CRO proposes to adopt an amended version of IDPC Rule 1103 in the DC Rules. As noted in the Request for Comments, proposed DC Rule 1103 is intended to provide "clarity regarding the use of technology to manage regulatory processes." We do not believe that proposed DC Rule 1103 accomplishes that goal.

It is unnecessary and counterproductive to insert the contemplated "automation" provisions into the existing delegation provisions in IDPC Rule 1103. The supervisory obligations that are contemplated in DC Rule 1103 are already addressed by existing regulations. CRO has recognized and should maintain a technology-neutral approach to regulation. The proposed DC Rule 1103 deviates from that principle. We therefore recommend that CRO refrain from adopting DC Rule 1103, as drafted, and revert to the text of IDPC Rule 1103.

ii. Rule 1200 - Definitions

We note that the proposed definition of “Executive”, includes individuals “whose role relates to, or has impact on, matters regulated by the Corporation, and is approved by the Corporation to act as an Executive [...]”. This language is more expansive than the definition found in the IDPC Rules. We recommend that the proposed definition be amended to include a materiality threshold so as to properly include but not expand beyond executives.

The proposed DC Rules include “Investment Products” as a new defined term, which includes securities, derivative, precious metal bullion, and any other “product that has been approved by the Board as an investment product”. This is a substantive change which seeks to expand CIRO’s power and jurisdiction. It is unreasonable for CIRO to have slipsheeted this fundamental expansion of their jurisdiction into the consolidation process and we strongly oppose the inclusion of “Investment Products” as a defined term in the DC Rules. We recommend that the definition of “Investment Products” in the DC Rules be deleted. We further recommend that all reference to “precious metal bullion” be deleted from the DC Rules to properly reflect CIRO’s jurisdiction over securities and derivatives.

RULE SERIES 2000 – DEALER MEMBER ORGANIZATION AND INDIVIDUAL APPROVAL RULES

Our comments on DC Rule Series 2000 are set out below and a blackline comparison of our recommended revisions to Rule Series 2000 is attached as **Appendix “B”**.

i. Rules 2551, 2552, 2602, 2603, 2625, 2628, and 2807 – Easing Talent Acquisition

In review of Rules 2551, 2552, 2602, 2603, 2625, 2628, and 2807(2), we believe that it is unnecessary to specify that Approved Persons must be both: (a) registered; and (b) approved by the Corporation.

Requiring both “approval” and “registration” in the DC Rules adds unnecessary administration and limits a dealer’s abilities to efficiently hire talent. The current registration and approval process should be streamlined so that individuals with appropriate proficiency are registered and may be hired by a firm without further approval. In addition to the proposed amendments to these rules, this will require amendments to National Instrument 31-103, Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103) and NI 33-109, Registration Information, which are worthwhile joint efforts by CIRO and the CSA.

ii. Rules 2555 – Proficiency of Investors

Investment and proficiency requirements are mutually exclusive. Should an individual assume registerable activities at a dealer, the current framework sufficiently addresses the proficiencies the individual must seek and meet. We recommend that DC Rule 2555(1)(ii) be revised to eliminate the need for investors to meet the proficiency standards in DC Rule 2555(2) and (3).

iii. Rules 2603 – Housekeeping on Course Availability

The definition of “bridge course” found in DC Rule 2603 should be updated to reflect the fact that the Hedge Funds and Liquid Alternatives for Mutual Fund Representatives course is no longer administered by CSI Global. Further course updates are enclosed in our comments.

iv. Rules 2625 – Chief Compliance Officer – Deemed Approval

It is unnecessary to require Chief Compliance Officers to seek approval as Supervisor due to their proficiency and responsibilities. As such, we recommend that this proposed rule be struck.

v. Rules 2628 – Course Validity and Exemptions

The 3-year validity period set out in rule 2628(1) should be extended to account for any period during which an approved person is on personal, family, parental, or medical leave. This is a fair and equitable approach that will not compromise existing proficiency standards. Proposed revisions to DC Rule 2628(4) are enclosed.

vi. Rules 2630 – Conduct and Practices Training

Conduct and practices training specific to each registration category should form part of all prescribed exams as opposed to a separate course or examination. This is a more efficient and effective approach to achieving proficiency standards. We recommend that proposed DC Rule 2630 be struck. See also:

- [Refining Revised Approaches to Gaining an Educated Talented Team](#)
- [Brushing-Up-on-Industry-Education-Models](#)

RULE SERIES 3000 – BUSINESS CONDUCT AND CLIENT ACCOUNT RULES

Our comments on DC Rule Series 3000 are set out below and a blackline comparison of our recommended revisions to Rule Series 3000 is attached as **Appendix “C”**.

i. Rules 3110 – Personal Financial Dealings

Proposed DC Rule 3110 provides that “employees and Approved Persons” must not engage in any personal financial dealings with clients. This rule is more onerous than the equivalent MFD Rules and NI 31-103 insofar as it applies to “employees” as well as Approved Persons. This definition is too broad and impractical in light of the role and number of employees at dealers. CIRO does not have any direct jurisdiction over the conduct of non-registered “employees”. Rather, the conduct of non-registered employees is addressed through the supervisory obligations of registered employees and dealers found in the existing IDPC Rules. As such, we recommend that the reference to “employees” found in DC Rule 3110(1) be removed.

DC Rule 3110 should also explicitly permit approved persons to report “personal financial dealings” to Dealer Members in order to assess whether the dealings give rise to a conflict of interest and/or determine whether measures can be put into place to address a conflict of interest in accordance with existing rules. This could include, for example, assigning the client to another advisor or putting other restrictions in place to manage potential conflicts. In support of a contextual approach to this issue, we recommend that DC Rule 3110 be revised to include an exception that applies where personal financial dealings have been reported and addressed in accordance with the DC Rules and member policies on conflicts of interest.

In addition, according to DC Rule 3110(2)(i), the term “personal financial dealings” includes “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”. This definition is too broad and is inconsistent with DC Rule 3110(1) insofar as 3110(2)(i) captures payments received from “any person” other than the Dealer Member, whereas Rule 3110(1) refers to financial dealings “with clients”. The concern is that this definition may inadvertently capture Dealer Members that have established agency arrangements to facilitate payments to employees. Amendments to DC Rule 3110(2) to include an exception for Dealer Members with agency payments structures are enclosed.

Finally, we note that DC Rule 3110(2)(vi)(b)(i) provides that the term “personal financial dealings” includes accepting the status of a beneficiary of a client’s estate unless the client is a member of the employee or Approved Person’s “immediate family”. We agree that this is a reasonable exception and agree with the definition of “immediate family” found in 3110(2)(vi)(a) but suggested additional language to specify that immediate family members do not need to reside at the same address. We also note that other exceptions refer to the definition of “related persons” in the Tax Act and have proposed amendments to reflect this.

ii. Rules 3200 – Know-Your-Client and Client Accounts

DC Rule 3209(5) purports to impose obligations on certain Dealer Members with respect to their conduct as exempt maker dealers. This rule is not found in the IDPC Rules, the MFD Rules, or NI 31-103. CIRO does not have jurisdiction over the conduct of exempt market dealers and, as such, this provision should be removed from the proposed DC Rules.

In addition, as proposed, DC Rule 3241(3)(i)(a) states that, prior to opening an OEO account, the Investment Dealer Member must provide a written disclosure to the client including, among other things, a statement confirming that the dealer will not “provide any recommendations to the client”. This proposed rule does not account for and is inconsistent with CIRO’s ongoing [public consultation](#) on the provision of non-tailored advice in the OEO channel. The term “recommendation” should be defined to align with s. 8.25 of NI 31-103CP and to provide that OEO dealers are permitted to provide non-tailored advice to OEO clients.

We draw your attention to our previous correspondence on this issue: [Getting Do-It-Yourself Investors More Tools to Do-It-Themselves](#)

iii. Rules 3400 – Suitability Determination

DC Rule 3402(6) provides that 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”. This rule should be struck as it is unnecessary and adds confusion in light of existing rules which include margin accounts. The appropriateness of a retail client’s leverage strategies are considered in light of Rule 3900 and its general supervision obligations along with obligations specific to retail, institutional, order execution only, derivatives, discretionary and managed accounts.

In addition, DC Rule 3402(7) creates a new and unduly onerous obligation on Dealer Members with respect to the policies referred to in DC Rule 3402(6): “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 [emphasis added]”. This rule should be struck as it creates an unfair

standard for Dealer Members that deviates from the standard of reasonableness that applies to Dealer Member supervision obligations. Rule 1404(2) already requires dealers to establish, maintain and apply written policies and procedures that create a system of controls and supervision *sufficient to provide reasonable assurances* that the dealer, its employees and approved persons will comply with CRO requirements and securities laws.

Similarly, proposed DC Rule 3403(3) imposes an overly onerous standard on Dealer Members insofar as it requires members to “ensure” that institutional clients fully understand investment products. Alternative wording reflecting a reasonableness standard is suggested.

iv. Rules 3500 – Sales Practices

The proposed DC Rules define “commencement of distribution” as “the time when an Investment Dealer Member has had distribution discussions which are of sufficient specificity that it is reasonable to expect that the Investment Dealer Member (alone or with other underwriters) will propose an underwriting of equity securities to the issuer or selling security-holder”. This definition is too broad, creates ambiguity and risks premature inclusion. We therefore recommend that this definition be amended to make clear that the “commencement of distribution” is the time at which a dealer proceeds with underwriting.

DC Rule 3602(1)(ii) is a new provision and provides that Dealer Members must not engage in sales communications or client communications that “uses an image such as a photograph, sketch, logo or graph which conveys a misleading impression”. We note that this provision could be read as adopting a subjective standard for “misleading impressions”, which creates a degree of ambiguity with respect to the application of this rule. Recommended revisions include a materiality standard on the use of misleading images.

v. Rules 3900 – Supervision

Proposed DC Rule 3907(7) imposes a new set of obligations on members related to automation and should be struck. Consistent with our above comments on DC Rule 1103, this provision is unnecessary and is contrary to the general principle that securities regulations should be technology neutral. Moreover, requiring Dealer Members to “ensure that the Supervisor understands how the automated task and activities work” does not reflect the standard of reasonableness in Rule 1404(2) .

Proposed DC Rule 3955(1)(ii) provides that a Dealer Member that is approved to provide OEO account services must have policies and procedures in place to “ensure that clients are not provided with recommendations”. For the reasons noted above in response to DC Rule 3241(3)(i)(a), the DC Rules should adopt a definition of “recommendation” in order to provide that they may provide non-tailored advice.

RULE SERIES 9000 – PROCEDURAL RULES

As proposed, DC Rule series 9000 contemplates that a “Senior Decision Officer” is responsible for making “regulatory decisions” on applications for individual approval (9204), applications for exemptions (9206), continued individual approval (9207), and terms and conditions on dealer members (9208). All such decisions are reviewable by a hearing panel. In contrast, decisions on membership applications are made by the Board on the recommendation of Staff (9205) and are not reviewable by a hearing panel. In the interests of consistency, we recommend that all such decisions – including the Board’s membership

decisions – should be reviewable by a hearing panel.

A blackline comparison of our recommended revisions to Rule Series 9000 is attached as **Appendix “D”**.

Respectfully submitted,

Investment Industry Association of Canada

cc.

Trading & Markets Division

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Appendix "A" - DC Rule Series 1000

	Proposed DC Rule – Phase 4		IIAC Recommended Rule Changes
1103	<p>Delegation and automation</p> <p>(1) If a Corporation requirement requires an individual at a Dealer Member to perform a function:</p> <p>(i) that individual may delegate the tasks or activities involved in performing the function to another individual, or</p> <p>(ii) the Dealer Member may automate tasks or activities that assist in the individual’s performance of the function,</p> <p>unless the Corporation requirements specifically prohibit such delegation or use of automation.</p> <p>(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.</p> <p>(3) An individual for whom the Dealer Member automates tasks or activities under clause 1103(1)(ii) must:</p> <p>(i) understand how the automated tasks and activities work, and (ii) ensure proper performance of the related function.</p> <p>(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.</p>	1103	<p><u>Delegation by a Dealer Member</u></p> <p><u>(1) If a Corporation requirement requires an individual at a Dealer Member to perform a function, that individual may delegate the tasks or activities involved in performing the function unless the Corporation requirements specifically prohibit such delegation.</u></p> <p><u>(2) An individual who delegates tasks or activities cannot delegate the responsibility for the function.</u></p> <p>Delegation by a Dealer Member and automation</p> <p>(1) If a Corporation requirement requires an individual at a Dealer Member to perform a function:</p> <p>(i) that individual may delegate the tasks or activities involved in performing the function to another individual, or</p> <p>(ii) the Dealer Member may automate tasks or activities that assist in the individual’s performance of the function,</p> <p>unless the Corporation requirements specifically prohibit such delegation or use of automation.</p> <p>(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.</p> <p>(3) An individual for whom the Dealer Member automates tasks or activities under clause 1103(1)(ii) must:</p> <p>(i) understand how the automated tasks and activities work, and (ii) ensure proper performance of the related function.</p> <p>(4) A Dealer Member that automates tasks or activities under clause</p>

			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.
1201	<p>“Executive” (Member de la haute direction)</p> <p>An individual who is involved in the Dealer Member’s senior management whose role relates to, or has impact on, matters regulated by the Corporation, and is approved by the Corporation to act as an Executive, including anyone approved by the Corporation to act as a Chief Compliance Officer, Chief Financial Officer, Ultimate Designated Person, or any other position that the Dealer Member designates as an Executive position.</p>	1201	<p>“Executive” (Member de la haute direction)</p> <p>An individual who is involved in the Dealer Member’s senior management whose role <u>materially</u> relates to, or has a <u>significant</u> impact on, matters regulated by the Corporation, and is approved by the Corporation to act as an Executive, including anyone approved by the Corporation to act as a Chief Compliance Officer, Chief Financial Officer, Ultimate Designated Person, or any other position that the Dealer Member designates as an Executive position</p>
1201	<p>“investment product” (produit de placement)</p> <p>A product that:</p> <ul style="list-style-type: none"> (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. 	1201	<p>“investment product” (produit de placement)</p> <p>A product that:</p> <ul style="list-style-type: none"> (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.

Appendix “B” - DC Rule Series 2000

	Proposed DC Rule – Phase 4		IIAC Recommended Rule Changes
2551	<p>Individual approval</p> <p>(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:</p> <p>(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,</p> <p>(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</p> <p>(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:</p> <p>(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</p> <p>(b) a Chief Compliance Officer, an Ultimate Designated Person, and/or a Registered Representative, all at a Mutual Fund Dealer Member,</p>	2551	<p>Individual approval</p> <p>(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:</p> <p>(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,</p> <p>(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</p> <p>(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:</p> <p>(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</p> <p>(b) a Chief Compliance Officer, an Ultimate Designated Person, and/or a Registered Representative, all at a Mutual Fund Dealer Member,</p>

<p>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.</p> <p>(2) Only a Dealer Member's director, partner, officer or employee can be an Approved Person.</p> <p>(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.</p> <p>(4) All Approved Persons are subject to Corporation jurisdiction and must comply with Corporation requirements.</p> <p>(5) A Dealer Member must ensure that, when dealing with the public, its Approved Persons use titles and designations that accurately indicate:</p> <ul style="list-style-type: none"> (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. <p>(6) If an Approved Person ceases to be approved, the former Approved Person must immediately cease any activity requiring Corporation approval.</p> <p>(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.</p>	<p>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.</p> <p>(2) Only a Dealer Member's director, partner, officer or employee can be an Approved Person.</p> <p>(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.</p> <p>(4) All Approved Persons are subject to Corporation jurisdiction and must comply with Corporation requirements.</p> <p>(5) A Dealer Member must ensure that, when dealing with the public, its Approved Persons use titles and designations that accurately indicate:</p> <ul style="list-style-type: none"> (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. <p>(6) If an Approved Person ceases to be approved, the former Approved Person must immediately cease any activity requiring Corporation approval.</p> <p>(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.</p>
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<p>2552</p>	<p>Compliance with the proficiency requirements or other conditions</p> <p>(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.</p> <p>(2) Each Dealer Member's Approved Person must:</p> <ul style="list-style-type: none"> (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. <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>	<p>2552</p>	<p>Compliance with the proficiency requirements or other conditions</p> <p>(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.</p> <p>(2) Each Dealer Member's Approved Person must:</p> <ul style="list-style-type: none"> (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. <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>
<p>2555</p>	<p>Approval of investors</p> <p>(1) Any investor who owns or holds a beneficial ownership interest in a significant equity interest in the Dealer Member or special warrants</p>	<p>2555</p>	<p>Approval of investors</p> <p>(1) Any investor who owns or holds a <u>10%</u> beneficial ownership interest in a significant equity interest in the Dealer Member or special warrants or other securities that are convertible into a</p>

	<p>or other securities that are convertible into a significant equity interest in the Dealer Member must:</p> <p>(i) be approved by the Corporation, and</p> <p>(ii) if applicable, meet the proficiency requirements of subsections 2555(2) and 2555(3).</p> <p>(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).</p> <p>(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:</p> <p>(i) in the case of approved investors of Investment Dealer Members, clause 2602(3)(xxxiii), or</p> <p>(ii) in the case of approved investors of Mutual Fund Dealer Members, clause 2602(3)(xli).</p>		<p>significant equity interest in the Dealer Member must: (i) be approved by the Corporation, and</p> <p>(ii) if applicable, meet the proficiency requirements of subsections 2555(2) and 2555(3).</p> <p>(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).</p> <p>(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:</p> <p>(i) in the case of approved investors of Investment Dealer Members, clause 2602(3)(xxxiii), or</p> <p>(ii) in the case of approved investors of Mutual Fund Dealer Members, clause 2602(3)(xli).</p>
<p>2602</p>	<p>Proficiency requirements for Approved Persons and approved investors</p> <p>(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.</p> <p>(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</p>	<p>2602</p>	<p>Proficiency requirements for Approved Persons and approved investors</p> <p>(1) An Approved Person must not perform an activity that requires <u>registration approval</u> 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, <u>and</u> derivative and precious metals bullion the Approved Person recommends.</p> <p>(2) The Dealer Member must ensure that an individual does not perform an activity that requires Corporation approval <u>registration</u> unless the individual has the education, training provided in accordance with section 1407, and experience that a reasonable</p>

	<p>understanding the structure, features and risks of each security, derivative and precious metals bullion the individual recommends.</p> <p>(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.</p>		<p>person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each security <u>and</u> derivative and precious metals bullion the individual recommends.</p> <p>(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.</p>
<p>2603</p>	<p>Permitted activities of mutual funds only Investment Dealer Member Registered Representatives and Investment Representatives</p> <p>(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 exchangetraded funds that meet the definition of a mutual fund provided the individual:</p> <p>(i) was permitted to trade in exchange-traded funds within the 90 days prior to these Rules coming into effect, or</p> <p>(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):</p> <p>(a) the ETFs for Mutual Fund Representatives course administered by CSI Global Education Inc., or</p> <p>(b) the Exchange Traded Funds course administered by the Investment Funds Institute of Canada, or</p>	<p>2603</p>	<p>Permitted activities of mutual funds only Investment Dealer Member Registered Representatives and Investment Representatives</p> <p>(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 exchangetraded funds that meet the definition of a mutual fund provided the individual:</p> <p>(i) was permitted to trade in exchange-traded funds within the 90 days prior to these Rules coming into effect, or</p> <p>(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):</p> <p>(a) the ETFs for Mutual Fund Representatives course administered by CSI Global Education Inc., or</p> <p>(b) the Exchange Traded Funds course administered by the Investment Funds Institute of Canada, or</p>

<p>(c) the Exchange Traded Funds for Mutual Fund Representatives course administered by the Smarten Up Institute.</p> <p>[...]</p> <p>(3) The following terms have the meaning set out below when used in subsection 2603(4):</p> <p>[...]</p> <p>“bridge course” 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.</p> <p>(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:</p> <p>(i) was permitted to trade in alternative mutual funds within the 90 days prior to these Rules coming into effect, or</p> <p>(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):</p> <p>(a) the bridge course, or</p> <p>(b) the Derivatives Fundamentals Course, or</p> <p>(c) the Canadian Securities Course, or</p> <p>(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.</p>	<p>(c) the Exchange Traded Funds for Mutual Fund Representatives course administered by the Smarten Up Institute.</p> <p>[...]</p> <p>(3) The following terms have the meaning set out below when used in subsection 2603(4):</p> <p>[...]</p> <p>“bridge course” 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.</p> <p>(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:</p> <p>(i) was permitted to trade in alternative mutual funds within the 90 days prior to these Rules coming into effect, or</p> <p>(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):</p> <p>(a) the bridge course, or</p> <p>(b) the Derivatives Fundamentals Course, or</p> <p>(c) the Canadian Securities Course, or</p> <p>(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.</p>
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<p>2625</p>	<p>Specific exemptions</p> <p>(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:</p> <ul style="list-style-type: none"> (i) a Supervisor of a Registered Representative or Investment Representative and (ii) actively engaged as a Registered Representative dealing with retail clients. <p>(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:</p> <ul style="list-style-type: none"> (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): <ul style="list-style-type: none"> (a) instead of the Canadian Securities Course, either the: <ul style="list-style-type: none"> (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: 	<p>2625</p>	<p>Specific exemptions</p> <p>(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:</p> <ul style="list-style-type: none"> (i) a Supervisor of a Registered Representative or Investment Representative and (ii) actively engaged as a Registered Representative dealing with retail clients. <p>(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:</p> <ul style="list-style-type: none"> (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): <ul style="list-style-type: none"> (a) instead of the Canadian Securities Course, either the: <ul style="list-style-type: none"> (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:
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	<p>(I) Mutual Fund Branch Managers' Examination Course administered by the Investment Funds Institute of Canada, or</p> <p>(II) Branch Compliance Officers Course.</p> <p>(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.</p>		<p>(I) Mutual Fund Branch Managers' Examination Course administered by the Investment Funds Institute of Canada, or</p> <p>(II) Branch Compliance Officers Course.</p> <p>(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.</p>
2628	<p>Course validity and exemptions from rewriting or repeating courses</p> <p>(1) Courses are valid for three years from the date of successful completion.</p> <p>(2) An applicant for approval <u>individual</u> must rewrite or repeat a course if the applicant <u>individual</u> 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.</p> <p>(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.</p> <p>(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.</p> <p>(5) The validity periods do not apply to the Canadian Investment Manager Designation, the Chartered Investment Manager</p>	2628	<p>Course validity and exemptions from rewriting or repeating courses</p> <p>(1) Courses are valid for three years from the date of successful completion.</p> <p>(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.</p> <p>(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.</p> <p>(4) For the purposes of determining course validity,</p> <p>(i) an Approved Person <u>applicant for approval under subsection 2628(2)</u> 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;</p>

	<p>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.</p> <p>(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.</p>		<p><u>(ii) Validity periods will be extended to account for any period during which an Approved Person was on personal, parental, or medical leave.</u></p> <p>(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.</p> <p>(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.</p>
2630	<p>Transition of Advising Representatives and Associate Advising Representatives into the Portfolio Manager and Associate Portfolio Manager approval category</p> <p>(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.</p> <p>(2) The Corporation will:</p> <p>(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</p> <p>(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.</p>	2630	<p>Transition of Advising Representatives and Associate Advising Representatives into the Portfolio Manager and Associate Portfolio Manager approval category</p> <p>(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.</p> <p>(2) The Corporation will:-</p> <p>(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</p> <p>(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.</p>

<p>2807 Cessation of Approved Person status</p> <p>(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.</p> <p>(2) Approval of an individual will end if:</p> <ul style="list-style-type: none"> (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. <p>(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.</p> <p>(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.</p>	<p>2807 Cessation of Approved Person status</p> <p>(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.</p> <p>(2) Approval of an individual will end if:-</p> <ul style="list-style-type: none"> (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. <p>(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.</p> <p>(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.</p>
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Appendix “C” - DC Rule Series 3000

	Proposed DC Rule – Phase 4		IIAC Recommended Rule Changes
3110	<p>Personal financial dealings</p> <p>(1) An employee or Approved Person of a Dealer Member, must not, directly or indirectly, engage in any personal financial dealings with clients.</p> <p>(2) Personal financial dealings include, but are not limited to, the following types of dealings:</p> <p>(i) Accepting any consideration</p> <p>(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.</p> <p>(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).</p> <p>(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).</p> <p>[...]</p> <p>(iii) Borrowing from clients</p> <p>(a) Borrowing money or receiving a guarantee in relation to borrowing money, investment products or any other assets from a client, unless:</p>	3110	<p>Personal financial dealings</p> <p>(1) An employee or Approved Person of a Dealer Member, must not, directly or indirectly, engage in any personal financial dealings with clients.</p> <p>(2) Personal financial dealings include, but are not limited to, the following types of dealings:</p> <p>(i) Accepting any consideration</p> <p>(a) Except as described in paragraphs 3110(2)(i)(a)(I) and 3110(2)(i)(a)(II) <u>and 3110(2)(i)(a)(III)</u> 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.</p> <p>(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).</p> <p>(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).</p> <p><u>(III) Compensation received from an agent pursuant to the Dealer Member’s agency business model.</u></p> <p>[...]</p> <p>(iii) Borrowing from clients</p>

<p>(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</p> <p>(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</p> <p>(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.</p> <p>[...]</p> <p>(vi) Beneficiary status and estate bequests</p> <p>(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-inlaw, 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.</p> <p>(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:</p> <p>(I) the client is a member of the employee’s or Approved Person’s immediate family; and</p> <p>(II) in the case of Associate Portfolio Managers, Portfolio Managers, Investment Representatives and Registered Representatives, the</p>	<p>(a) Borrowing money or receiving a guarantee in relation to borrowing money, investment products <u>securities</u> or any other assets from a client, unless:</p> <p>(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</p> <p>(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</p> <p>(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.</p> <p>[...]</p> <p>(vi) Beneficiary status and estate bequests</p> <p>(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-inlaw, children, grandchildren, cousin, aunt or uncle, or niece or nephew, <u>whether or not they reside in the same household</u> 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.</p> <p>(b) Accepting the status of a beneficiary of a client’s estate or receiving a bequest from a client’s estate <u>unless</u>, upon learning of such status, unless:</p> <p>(I) the client is a member of the employee’s or Approved Person’s</p>
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	<p>proposed status or bequest is disclosed to and approved in writing by the Dealer Member, prior to accepting such status or bequest.</p>		<p>immediate family <u>or is a related person as defined in the <i>Tax Act (Canada)</i></u>; and</p> <p>(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.</p> <p><u>(3) Notwithstanding the foregoing, an Approved Person of a Dealer Member may engage in personal financial dealings with a client provided that the Approved Person has reported the dealings to the Dealer Member in advance and the Dealer Member has concluded that the dealings do not give rise to a conflict of interest or the Dealer Member addresses the conflict of interest in accordance with the conflict of interest rules in section 3102 to 3109.</u></p>
<p>3209</p>	<p>Primary responsibility, delegation and obligation to keep current</p> <p>(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.</p> <p>(2) The responsibility in subsection 3209(1) must not be delegated to any other person.</p> <p>(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.</p> <p>(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.</p> <p>(5) A Mutual Fund Dealer Member that is also registered under</p>	<p>3209</p>	<p>Primary responsibility, delegation and obligation to keep current</p> <p>(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.</p> <p>(2) The responsibility in subsection 3209(1) must not be delegated to any other person.</p> <p>(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.</p> <p>(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.</p> <p>(5) A Mutual Fund Dealer Member that is also registered under</p>

	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.		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.
3241	<p>Order execution only account services</p> <p>[...]</p> <p>(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:</p> <p>(i) provide the following written disclosures to the client:</p> <p>(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,</p> <p>(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</p> <p>(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</p> <p>(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</p>	3241	<p>Order execution only account services</p> <p>[...]</p> <p>(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:</p> <p>(i) provide the following written disclosures to the client:</p> <p>(a) a statement confirming that the Investment Dealer Member will not provide any <u>tailored</u> recommendations to the client and that the client is solely responsible for making all investment decisions in the order execution only account,</p> <p>(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</p> <p>(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</p> <p>(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</p>

	<p>described in clause 3241(3)(i).</p> <p>[...]</p>		<p>described in clause 3241(3)(i).</p> <p><u>(iii) for the purposes of s. 3401(3)(i)(a), tailored recommendations does not include:</u></p> <ul style="list-style-type: none"> (a) <u>general discussion of the merits and risks of the security;</u> (b) <u>recommendations delivered through investment newsletters, articles in general circulation newspapers or magazines, websites, e-mail, Internet chat rooms, bulletin boards, television or radio, and</u> (c) <u>other recommendations that are not tailored to the needs and circumstances of any recipient.</u> <p>[...]</p>
<p>3402</p>	<p>Retail client suitability determination requirements</p> <p>[...]</p> <p>(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.</p> <p>(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.</p>	<p>3402</p>	<p>Retail client suitability determination requirements</p> <p>[...]</p> <p>(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.</p> <p>(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.</p>
<p>3403</p>	<p>Institutional client suitability determination requirements</p> <p>[...]</p> <p>(3) Once each suitability determination has been made and:</p> <p>(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</p>	<p>3403</p>	<p>Institutional client suitability determination requirements</p> <p>[...]</p> <p>(3) Once each suitability determination has been made and:</p> <p>(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</p>

	<p>Dealer Member’s suitability obligation is fulfilled for that transaction, or</p> <p>(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.</p>		<p>Dealer Member’s suitability obligation is fulfilled for that transaction, or</p> <p>(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 <u>reasonable</u> steps to ensure that the institutional client fully understands the investment product, <u>has been fully informed of the securities or derivatives</u>, including the potential risks.</p>
3502	<p>Definitions</p> <p>(1) The following terms have the meaning set out below when used in Rule 3500:</p> <p>“commencement of distribution” (début du placement)</p> <p>The time when an Investment Dealer Member has had distribution discussions which are of sufficient specificity that it is reasonable to expect that the Investment Dealer Member (alone or with other underwriters) will propose an underwriting of equity securities to the issuer or selling security-holder.</p>	3502	<p>Definitions</p> <p>(1) The following terms have the meaning set out below when used in Rule 3500:</p> <p>“commencement of distribution” (début du placement)</p> <p>The time when an Investment Dealer Member has had distribution discussions which are of sufficient specificity that it is reasonable to expect that the Investment Dealer Member (alone or with other underwriters) will propose an <u>proceeds with an</u> underwriting of equity securities to the issuer or selling security-holder.</p>
3602	<p>Advertising</p> <p>(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:</p> <p>(i) contains an untrue statement or omission of a material fact or is otherwise false or misleading,</p> <p>(ii) uses an image such as a photograph, sketch, logo or graph which conveys a misleading impression;</p> <p>(iii) contains an unjustified promise of specific results,</p>	3602	<p>Advertising</p> <p>(1) A Dealer Member must not issue, participate in or knowingly allow the use of its name in any advertisement, sales <u>literature or correspondence</u> communication or client communication <u>that the Dealer Member knows or reasonably ought to know</u>:</p> <p>(i) contains an untrue statement or omission of a material fact or is otherwise false or misleading,</p> <p>(ii) uses an image such as a photograph, sketch, logo or graph which conveys a <u>that is materially</u> misleading impression;</p> <p>(iii) contains an unjustified promise of specific results,</p>

<p>(iv) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions,</p> <p>(v) contains any opinion or forecast of future events which is not clearly labeled as such,</p> <p>(vi) fails to fairly present the potential risks to the client,</p> <p>(vii) is detrimental to the interests of the public, the Corporation or its Dealer Members, or</p> <p>(viii) fails to comply with Corporation requirements or any applicable laws.</p> <p>(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.</p> <p>[...]</p> <p>(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:</p> <p>(i) pre-use approval,</p> <p>(ii) post-use review, or</p> <p>(iii) post-use sampling.</p> <p>(5) A Dealer Member must provide reasonable assurance:</p> <p>(i) its employees and Approved Persons are familiar with its policies and procedures relating to advertisements, sales communications and client communications, and</p> <p>(ii) its policies and procedures include specific ongoing measures to</p>	<p>(iv) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions,</p> <p>(v) contains any opinion or forecast of future events which is not clearly labeled as such,</p> <p>(vi) fails to fairly present the potential risks to the client,</p> <p>(vii) is detrimental to the interests of the public, the Corporation or its Dealer Members, or</p> <p>(viii) fails to comply with Corporation requirements or any applicable laws.</p> <p>(2) A Dealer Member's policies and procedures must specifically address the review and supervision of advertisements, sales <u>literature or correspondence</u> communication or client communication relating to its business.</p> <p>[...]</p> <p>(4) A Dealer Member must ensure that all advertisements, sales <u>literature or correspondence</u> communication or client communication not listed in subsection 3602(3) are reviewed in a manner appropriate to the type of material through:</p> <p>(i) pre-use approval,</p> <p>(ii) post-use review, or</p> <p>(iii) post-use sampling.</p> <p>(5) A Dealer Member must provide reasonable assurance:</p> <p>(i) its employees and Approved Persons are familiar with its policies and procedures relating to advertisements, sales <u>literature or correspondence</u> communication or client communication, and</p>
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	<p>provide reasonable assurance its policies and procedures are being complied with.</p> <p>(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.</p>		<p>(ii) its policies and procedures include specific ongoing measures to provide reasonable assurance its policies and procedures are being complied with.</p> <p>(6) A Dealer Member must retain copies of all advertisements, sales <u>literature or correspondence</u> communication or client communication and all records of supervision for the period set out in section 3803. These items must be readily available for inspection by the Corporation.</p>
3619.	<p>Policies and procedures on trading</p> <p>(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:</p> <p>(i) the issuance of a research report,</p> <p>(ii) a new recommendation, or</p> <p>(iii) a change in a recommendation, related to the subject security that could reasonably be expected to influence the price of the subject securities.</p> <p>[...]</p>	3619	<p>Policies and procedures on trading</p> <p>(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:</p> <p>(i) the issuance of a research report,</p> <p>(ii) a new recommendation, or</p> <p>(iii) a change in a recommendation, related to the subject security that could reasonably be expected to <u>have an effect on</u> influence the price of the subject securities.</p> <p>[...]</p>
3907	<p>Delegation and supervisory tasks</p> <p>[...]</p> <p>(7) The Dealer Member must:</p> <p>(i) inform the Supervisor of specific tasks or activities that have been automated pursuant to clause 1103(1)(ii),</p>	3907	<p>Delegation and supervisory tasks</p> <p>[...]</p> <p>(7) The Dealer Member must:</p> <p>(i) inform the Supervisor of specific tasks or activities that have been automated pursuant to clause 1103(1)(ii),</p>

	<p>(ii) ensure the Supervisor understands how the automated tasks and activities work, and</p> <p>(iii) ensure proper performance of the related function in compliance with Corporation requirements.</p>		<p>(ii) ensure the Supervisor understands how the automated tasks and activities work, and</p> <p>(iii) ensure proper performance of the related function in compliance with Corporation requirements.</p>
3955	<p>Supervision of order execution only accounts</p> <p>(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:</p> <p>(i) meet the Investment Dealer Member’s general supervisory obligations and any relevant obligations relating to transacting in investment products,</p> <p>(ii) ensure that clients are not provided with recommendations because the client has an account with:</p> <p>(a) a separate legal entity of the Investment Dealer Member,</p> <p>(b) a separate business unit of the Investment Dealer Member, or</p> <p>(c) the Investment Dealer Member itself, and</p> <p>(iii) to review customer trading and accounts for those concerns listed in Rule 3900, other than those relating to the suitability requirements.</p>	3955	<p>Supervision of order execution only accounts</p> <p>(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:</p> <p>(i) meet the Investment Dealer Member’s general supervisory obligations and any relevant obligations relating to transacting in investment products,</p> <p>(ii) ensure that clients are not provided with <u>tailored</u> recommendations because the client has an account with:</p> <p>(a) a separate legal entity of the Investment Dealer Member,</p> <p>(b) a separate business unit of the Investment Dealer Member, or</p> <p>(c) the Investment Dealer Member itself, and</p> <p>(iii) to review customer trading and accounts for those concerns listed in Rule 3900, other than those relating to the suitability requirements.</p> <p><u>(iv) for the purposes of s. 3955 (ii), tailored recommendations does not include:</u></p> <p>(a) <u>general discussion of the merits and risks of the security;</u></p> <p>(b) <u>recommendations delivered through investment newsletters, articles in general circulation newspapers or magazines, websites, e-mail,</u></p>

			<p><u>Internet chat rooms, bulletin boards, television or radio, and</u></p> <p>(c) <u>other recommendations that are not tailored to the needs and circumstances of any recipient.</u></p>
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Appendix "D" - DC Rule Series 9000

	Proposed DC Rule – Phase 4		IIAC Recommended Rule Changes
9205	<p>Membership approval applications</p> <p>(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.</p> <p>(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.</p> <p>(3) Prior to the Board making its decision, the applicant shall:</p> <ul style="list-style-type: none"> (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. <p>(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.</p>	9205	<p>Membership approval applications</p> <p>(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.</p> <p>(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.</p> <p>(3) Prior to the Board making its decision, the applicant shall:</p> <ul style="list-style-type: none"> (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. <p>(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.</p>

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Investment Industry Association of Canada

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