

January 18, 2024

24-0014

Rules Bulletin > Implementation Bulletin

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Derivatives Rule Modernization, Stage 1

Executive Summary

The Canadian Securities Administrators (**CSA**) have approved the first stage of amendments to modernize and simplify the Investment Dealer and Partially Consolidated Rules (**IDPC Rules**) derivatives-related requirements (the **Amendments**). We originally published the Amendments for public comment in IIROC Rules Notice [19-0200](#), followed by their republication for comment in IIROC Rules Notice [22-0055](#) and CIRO Rules Bulletin [23-0092](#).

The Amendments will be effective September 28, 2024, as indicated in section 5 of this bulletin.

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1. Background

1.1 History

Following the publication for comments by the CSA of proposed National Instrument 93-101 – *Derivatives: Business Conduct (NI 93-101)* and National Instrument 93-102 – *Derivatives: Registration (NI 93-102)*, we did a complete review of all our Investment Dealer Member-related rules, which resulted in the Derivatives Rule Modernization Project.

The objectives of the proposed amendments arising from the Derivatives Rule Modernization Project are to:

- ensure our rules continue to be materially harmonized with the equivalent CSA requirements as they apply to securities and derivatives;
- more clearly specify which of the core regulatory obligations apply to securities, listed derivatives and OTC derivatives; and
- eliminate inconsistencies in the regulatory treatment of securities, listed derivatives and OTC derivatives, where justified.

Due to the extent and nature of the amendments, the approach adopted was to proceed in two separate stages, as follows:

- Stage 1, includes all amendments other than those relating to margin requirements, and
- Stage 2 will include the amendments we propose to make to the margin requirements.

1.2. Previous publications

Stage 1 of the Derivatives Rule Modernization Project was the subject of three separate publications:

- IIROC Rules Notice [19-0200](#), published November 21, 2019, which contained the initial proposed amendments,
- IIROC Rules Notice [22-0055](#), published April 14, 2022, which contained revisions to the initial proposed amendments, designed to reproduce most of the proposed amendments using an updated version of the IIROC Rules, as well as changes to address issues raised and suggestions received following the initial publication, and
- CIRO Rules Bulletin [23-0092](#), published on July 13, 2023, which contained additional revisions to the proposed amendments set out in the previous two publications to incorporate them in the IDPC Rules, as well as further changes to address concerns and suggestions received following the second publication.

2. Comments received

We received one public comment letter in response to Bulletin 23-0092. We provide a summary of these comments and our response in **Appendix D**.

3. The Amendments

Following our publication in July 2023 and comments received by the CSA, the following non-material changes were approved by CIRO's President and Chief Executive Officer:

- Removal of the term contract when used in conjunction with derivatives, as the term contract is mentioned in the definition of the term derivative itself;
- Replacement of the term transaction with derivative in the definition of "hedger", to clarify the underlying interest and intended effect is that of the derivative and not the transaction;
- Replacement of the term marketplace with exchange in the definition of "listed derivative", in order to reflect the intention of the definition, i.e., to regulate derivatives traded on an exchange and not all marketplaces;
- Removal of the term trading when referring to derivative accounts (as opposed to derivative trading accounts).

A blackline of these non-material changes is set out in **Appendix C**.

4. Guidance

Concurrent with this bulletin, we are publishing Guidance Note GN-1200-24-001 – Applying and interpreting the definitions of “hedger” and “institutional client” and Guidance Note-3200-24-001 – Derivatives Risk Disclosure Statement, which replaces GN-3500-21-004 – Risk Disclosure Statement for Futures and Options.

5. Implementation

To align with the effective date of CSA Multilateral Instrument 93-101 – *Derivatives: Business Conduct*, the Amendments and Guidance Notes will be effective on **September 28, 2024**.

6. Appendices

[Appendix A](#) – Clean copy of the Amendments

[Appendix B](#) – Blackline comparison of the Amendments to current rules

[Appendix C](#) – Blackline comparison of the Amendments to last publication

[Appendix D](#) – Summary of public comments received

[Appendix E](#) – GN-1200-24-001 – Applying and interpreting the definitions of “hedger” and “institutional client”

[Appendix F](#) – GN-3200-24-001 – Derivatives Risk Disclosure Stateme