

Appendix 2A – Blackline copies of proposed rule amendments

Investment Dealer and Partially Consolidated Rules

RULE 4800 | OPERATIONS – TRADING AND DELIVERY STANDARDS FOR NON-CENTRALLY CLEARED TRANSACTIONS, ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS

4801. Introduction

- (1) Rule 4800 sets out the following requirements relating to *Dealer-~~Member~~* operations:
- Part A - Trading and delivery standards applicable to transactions that are not cleared and settled through a clearing corporation:
- Part A.1 - Fixed income transactions
[sections 4803 through 4806]
- Part A.2 - Stock transactions
[sections 4807 through 4809]
- Part A.3 - Buy-in transactions
[section 4810]
- Part B - Account transfers and bulk account movements
- Part B.1 - Client-Initiated Account Transfers
[sections 4852 through ~~4865~~4867]
- Part B.2 - Firm-Initiated Bulk Account Movements
[~~section 4866~~sections 4870 to 4872].
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PART B - ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS

4850. Introduction

- (1) Part B.1 of Rule 4800 describes the *Corporation's* requirements for ~~transferring accounts~~client-initiated account transfers between ~~Dealer-Members~~Dealers to ensure these transfers are completed promptly.
- (2) Part B.2 of Rule 4800 describes the *Corporation's* exemption authority with regards to firm-initiated bulk account movements.

PART B.1 - CLIENT-INITIATED ACCOUNT TRANSFERS

4851. Definitions

- (1) The following terms have the meaning set out below when used in Part B.1 of Rule 4800:

"account transfer" <u>(transfert de compte)</u>	A-client <u>The transfer in its entirety of an</u> account transfer, and related cash balances and positions of a client with a Dealer to another Dealer at the request of or with the authority of the client, from one Dealer Member to another Dealer Member.
"Dealer" <u>(courtier)</u>	<u>A Dealer Member or a Mutual Fund Dealer Member.</u>

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“delivering Dealer Member ” (<i>courtier livreur</i>)	The Dealer Member from which the client account is <u>and related cash balances and positions are</u> being transferred or moved .
“entire account” (<i>compte entier</i>)	<u>The total client account and related cash balances and positions on the records of delivering Dealer.</u>
“partial account” (<i>compte partiel</i>)	Less than the total assets and balances in a client account held by a <u>and related cash balances and positions on the records of</u> delivering Dealer Member .
“positions” (<i>positions</i>)	<u>Investment product positions that are recorded as positions of the client whose account is to be transferred and includes:</u> (i) <u>positions where the Dealer is the dealer of record for the client on the records of the issuer of the investment product, and</u> (ii) <u>positions that are held or controlled by the Dealer for the client, including any positions:</u> <u>(a) held for it by:</u> <u>(I) external custodians, and</u> <u>(II) its carrying broker,</u> <u>and</u> <u>(b) it holds as a carrying broker.</u>
“receiving Dealer Member ” (<i>courtier receveur</i>)	The Dealer Member to which the client account is <u>and related cash balances and positions are</u> being transferred or moved .
“recognized depository account transfer facility” (<i>service reconnu de transfert de compte</i>)	A Corporation recognized clearing corporation or, depository <u>or transfer facility</u> that is considered <u>approved by the Corporation as</u> an acceptable securities location <u>facility to enable the delivery or revised recording of client account cash balances and positions and related cash balances and positions from or at the delivering Dealer to or at the receiving Dealer, to complete an account transfer.</u> <u>The Corporation will establish and maintain a list of approval conditions that it will use to determine the facilities it will approve as a recognized account transfer facility and will regularly publish the current list of recognized account transfer facilities.</u>

PART B.1—ACCOUNT TRANSFERS 4852. Transferring ~~a full~~ an entire account or ~~a~~ partial account

- (1) A Dealer ~~Member~~ transferring ~~a full~~ an entire account or ~~a~~ partial account for a client must comply with Part B.1 of Rule 4800.

4853. Transfer through a recognized ~~depository~~ account transfer facility

- (1) Whenever possible, a Dealer ~~Member~~ transferring an entire account or a partial account for a client ~~account~~ must transfer that account through a recognized ~~depository~~ account transfer facility.

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4854. Communications between ~~Dealer-Members~~Dealers

- (1) ~~Communications~~Where it is possible for a Dealer to transfer an entire account or a partial account for a client through a recognized account transfer facility, communications between ~~Dealer-Members~~Dealers must take place by electronic delivery through ~~CDS's~~a recognized account transfer facility, ~~unless both Dealer-Members agree otherwise.~~
- (2) A ~~Dealer-Member~~ must pay its costs for delivering or receiving ~~electronic~~ communications ~~done~~ under Part B.1 of Rule 4800.
- (3) A ~~Dealer-Member~~ must select, implement, and maintain appropriate security measures to protect its ~~electronically~~ delivered and received communications.
- (4) A Dealer Member acknowledgement and indemnification must:
 - (i) ~~a Dealer Member acknowledges that an electronically delivered communication it sends~~acknowledge that the communications it delivers under Part B.1 of Rule 4800 will be relied on by the ~~Dealer-Member~~ receiving it, and
 - (ii) ~~a Dealer Member must~~ indemnify and save harmless other ~~Dealer-Members~~Dealers from any claims, losses, damages, liabilities or expenses the other ~~Dealer Members~~Dealers suffer ~~as a result~~because of relying on ~~its~~those communications it delivers under Part B.1 of Rule 4800 that are unauthorized, inaccurate, or incomplete ~~electronic communication.~~

4855. Receiving ~~Dealer-Member~~ - responsibilities for documents

- (1) If a receiving ~~Dealer-Member~~ receives a request from a client to accept an account and related cash balances and positions, it must obtain ~~written~~ authorization from the client to:
 - (i) be provided by the delivering Dealer with a cash balances and positions list relating to the account, and
 - (ii) transfer the account and related cash balances and positions.
- (2) After the client ~~gives written~~provides authorization to the receiving ~~Dealer-Member~~, the receiving ~~Dealer-Member~~ must:
 - (i) promptly send a request for transfer (using an account transfer authorization form approved by the Corporation) by electronic delivery through ~~CDS~~a recognized account transfer facility to the delivering ~~Dealer-Member~~, and
 - (ii) keep the ~~original written~~ account transfer authorization ~~form~~ on file.
- (3) The receiving ~~Dealer-Member~~ must ensure that the ~~forms or documents~~supporting information and authorization required to transfer accounts are ~~completed and available on the same day as~~obtained before the request for transfer is delivered and retained.

4856. Delivering ~~Dealer-Member~~ - response to request for transfer

- (1) When ~~it~~the delivering Dealer receives the request for transfer, ~~the delivering Dealer Member~~it must either:
 - (i) deliver to the receiving ~~Dealer-Member~~, by the specified list return date, the ~~asset~~cash balances and positions list ~~for~~relating to the client account being transferred, or

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- (ii) reject the request for transfer if the client and client account information is unknown to the ~~delivering Dealer-Member~~ or is incomplete or incorrect.
- (2) The list return date in clause 4856(1)(i) or the date the request for transfer is rejected in clause 4856(1)(ii), whichever applies, must be no later than two *clearing days* after the date ~~that~~ the ~~delivering Dealer-Member~~ received the request for transfer.
- (3) Where the request for transfer is rejected by the delivering Dealer pursuant to clause 4856(1)(ii), the delivering Dealer and the receiving Dealer must make reasonable efforts to identify the client and client account and/or to collect complete and correct information about the client account transfer request no later than 2 clearing days after the date the request for transfer is rejected in clause 4856(1)(ii).

4857. ~~Asset transfer~~

- (1) ~~Within one clearing day after the specified return date the delivering Dealer-Member must commence, or cause CDS's account transfer facility to implement automatically, the transfer of the assets through CDS.~~
- (2) ~~Any assets that cannot be transferred through a recognized depository must be settled:~~
 - (i) ~~over the counter,~~
 - (ii) ~~by other standard industry practices, or~~
 - (iii) ~~by other appropriate means agreed between the receiving Dealer-Member and the delivering Dealer-Member.~~~~The time limits in subsection 4857(1) apply.~~

4858. ~~Transfer impediment~~

- (1) If there is an impediment at the delivering Dealer to the requested transfer of ~~an account asset~~ one or more cash balances or positions, the ~~delivering Dealer-Member~~ must ~~promptly notify~~ send a notification to the ~~receiving Dealer~~ ~~Member~~ within 2 clearing days after the specified list return date, identifying :
 - (i) the ~~asset~~ cash balances and positions that have an impediment,
 - (ii) the reason or reasons for ~~the inability to deliver~~ each impediment,
 - (iii) the options the client has to resolve each impediment, and
 - (iv) the taxation and other impacts of each option to resolve each impediment.
- (2) ~~The~~ If there is an impediment at the receiving Dealer to the requested transfer of one of more cash balances or positions, the receiving Dealer must within 2 clearing days after the specified list return date:
 - (i) identify:
 - (a) the cash balances and positions that have an impediment,
 - (b) the reason or reasons for each impediment,
 - (c) the options the client has to resolve each impediment, and

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- (d) the taxation and other impacts of each option to resolve each impediment.
 - (ii) send a notification to the *delivering Dealer* identifying the cash balances and *positions* that have an impediment.
 - (3) For the transfer impediments identified in subsections 4857(1) and 4857(2), the *receiving Dealer* must promptly:
 - (i) notify the client of:
 - (a) the cash balances and *positions* that have an impediment,
 - (b) the reason or reasons for each impediment,
 - (c) the options the client has to resolve each impediment, and
 - (d) the taxation and other impacts of each option to resolve each impediment,
 - and
 - (ii) obtain client instructions on the option to pursue to resolve each transfer impediment and provide these instructions to the *delivering Dealer*.

4858. Commencement of transfer of cash balances and positions and related information

- (1) Where one or more transfer impediments exist and the client has not decided on how to resolve each transfer impediment or to proceed with a *partial account* or *entire account* transfer, the *delivering Dealer* must not commence, and must not cause the *recognized account transfer facility* to commence automatically, the transfer of cash balances and *positions* through electronic delivery.
- (2) Within 1 *clearing day* after it has been determined that:
 - (i) no transfer impediments exist, or
 - (ii) one or more transfer impediments exist and the *receiving Dealer* ~~Member must get~~ has:
 - (a) ~~obtained~~ client instructions ~~or directions concerning the asset, and deliver them to the delivering Dealer Member~~ on the option to pursue to resolve each transfer impediment, and
 - (b) ~~provided these instructions to the delivering Dealer.~~the *delivering Dealer* must commence, or cause the *recognized account transfer facility* to commence automatically, the transfer of cash balances and *positions* through electronic delivery.
- (3) ~~The balance of the client's assets must be transferred according to Part B.1 of Rule 4800~~Any cash balances and *positions* referred to in subsection 4858(2) that cannot be transferred through a *recognized account transfer facility* must be settled:
 - (i) over-the-counter,
 - (ii) by other standard industry practices, or
 - (iii) by other appropriate means agreed between the *receiving Dealer* and the *delivering Dealer*.The time limits in subsection 4858(2) apply.

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(4) As part of the transfer of cash balances and positions referred to in subsections 4858(2) and 4858(3), the delivering Dealer must provide the related position information required by a recognized account transfer facility to be provided, irrespective of whether a recognized account transfer facility is used for the transfer.

4859. ~~Failure~~Settlement standard and failure to settle on time

- (1) ~~If the~~The delivering Dealer ~~Member fails to~~and receiving Dealer must settle ~~an asset transfer in~~a client account transfer request within 10 clearing days of ~~receipt of the delivering Dealer receiving the account transfer request for~~from the receiving Dealer.
- (2) If an account transfer request is not settled in accordance with the requirement in subsection 4859(1) due to a delay at the delivering Dealer, the receiving Dealer ~~Member~~ may complete the account transfer, at its option, by:
- (i) buying-in the unsettled position in accordance with section 4810,
 - (ii) lending the ~~security~~position to the delivering Dealer ~~Member~~ through a recognized depository and simultaneously transferring the same ~~security~~position into the client account, or
 - (iii) making other mutually agreed arrangements with the delivering Dealer ~~Member~~ so that the account transfer can be considered completed.
- (~~23~~) Any loan in clause ~~4859(1)~~4859(2)(ii) must be marked to market and the ~~assets~~lent securities will be considered delivered to the receiving Dealer ~~Member~~ to settle the account transfer.

4860. ~~Non-certificated mutual funds~~Other investment products

- (1) ~~Non-certificated mutual fund securities~~Positions in investment products that are not traded on a marketplace are considered transferred when the delivering Dealer ~~Member~~ delivers transfer instructions to the receiving Dealer ~~Member~~by electronic delivery through a recognized account transfer facility and these instructions are carried out.
- (2) If the transfer in subsection 4860(1) cannot be completed using a recognized account transfer facility, it is considered transferred when the delivering Dealer delivers to the receiving Dealer:
- (i) a completed ~~mutual fund~~ transfer form, ~~and~~
 - (ii) a completed and signed power of attorney, ~~or~~and
 - (iii) ~~by entry of transfer instructions in the electronic~~confirmation that positions that could not be transferred through use of a recognized account transfer facility ~~of FundSERV Inc~~have been transferred.

4861. Interest or dividend receipt balances

- (1) Interest or dividend receivable balances must be settled ~~promptly~~within 25 clearing days between ~~at the~~ delivering Dealer ~~Member~~ and receiving Dealer ~~Member~~. Despite any failure to settle these balances, a Dealer ~~Member~~ must comply with the account transfer procedures in Part B.1 of Rule 4800.

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4862. Margin

- (1) A receiving Dealer ~~Member~~ must not accept an account transfer from ~~another~~ a delivering Dealer ~~Member~~ if the account has a margin deficiency.
- (2) Subsection 4862(1) does not apply if at the time of account transfer ~~time~~ the client has provided the receiving Dealer ~~Member has with~~ sufficient funds or collateral ~~to the client's credit available~~ to cover the account's margin deficiency.

4863. Responsibility for margining account

- (1) The receiving Dealer ~~Member~~ assumes the responsibility for the margining of transferred ~~account money~~ cash balances and ~~assets~~ positions, under the Corporation requirements, on the date or dates the money ~~cash~~ balances ~~or assets~~ and positions are received.

4864. Fees and charges

- (1) Before or at the time of an account transfer, a delivering Dealer ~~Member~~ may deduct any fee or charge ~~on the account~~ in accordance with the delivering Dealer ~~Member's~~ current ~~published~~ fee and charge schedule.
- (2) The deduction of any fee or charge referred to in subsection 4864(1) must occur within 10 clearing days of the delivering Dealer receiving the account transfer request from the receiving Dealer.
- (3) Failure by the delivering Dealer to deduct any fee or charge in accordance with the requirement in subsection 4864(2):
 - (i) will not be considered to be a valid delivering Dealer transfer impediment, and
 - (ii) will be considered to be a violation of the requirement in subsection 4859(1).

4865. ~~Corporation exemption~~ Exemption from client-initiated account transfer requirements

- (1) The Corporation may exempt a Dealer ~~Member~~ from the requirements of Part B.1 of Rule 4800 if the Corporation is satisfied that to do so would not prejudice the interests of the Dealer ~~Member~~, its clients, or the public.
- (2) In granting an exemption under subsection 4865(1), the Corporation may impose any terms and conditions it considers necessary.

4866. – 4869. Reserved.

PART B.2 - FIRM-INITIATED BULK ACCOUNT MOVEMENTS

~~4866. Bulk~~

4870. Definitions

- (1) The following term has the meaning set out below when used in Part B.2 of Rule 4800:

<u>"bulk account movement"</u>	<u>The movement of a group of client accounts, at the request of or with the authority of one of the firms involved, from a firm to a Dealer.</u>
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<u>(déplacements de comptes en bloc)</u>	
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4871. Prompt bulk account movements exemption

- (1) All firms involved in a bulk account movement must engage in active collaboration and make reasonable efforts to ensure the prompt movement of accounts including:
- (i) allocating sufficient resources to handle the bulk account movement efficiently,
 - (ii) sharing necessary information and documentation in a timely manner,
 - (iii) implementing processes and procedures to minimize delays, and
 - (iv) monitoring the progress of the bulk account movement and taking corrective actions as needed.

4872. Exemption from applicable account opening requirement completion timelines in a bulk account movement situation

- (1) In the event of a *bulk account movement* situation, where a *Dealer-Member* is receiving in a significant number of client accounts, the *Corporation* may grant the *Dealer-Member* an exemption from the applicable account opening requirement completion timelines.
- (2) The *Corporation* will grant such exemption if it is satisfied that ~~to do so:~~
 - (i) the firms involved are actively collaborating and making reasonable efforts to move the accounts promptly in accordance with subsection 4871(1), and
 - (ii) granting the exemption would not prejudice the interests of the *Dealer-Member's* clients, the public or the *Dealer-Member*.
- (3) In granting such an exemption under subsection ~~4866(1)~~4872(1), the *Corporation* may impose any terms and conditions it considers necessary.

~~4867~~4873. – 4899. Reserved.