

## Appendix 1A – Clean 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

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##### 4801. Introduction

- (1) Rule 4800 sets out the following requirements relating to *Dealer* 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 4867]
    - Part B.2 - Firm-Initiated Bulk Account Movements  
[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 client-initiated account transfers between *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" ( <i>transfert de compte</i> )	The transfer in its entirety of an account and related cash balances and <i>positions</i> of a client with a <i>Dealer</i> to another <i>Dealer</i> at the request of or with the authority of the client.
"Dealer" ( <i>courtier</i> )	A <i>Dealer Member</i> or a <i>Mutual Fund Dealer Member</i> .

## Appendix 1A – Clean copies of proposed rule amendments

### Investment Dealer and Partially Consolidated Rules

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

#### 4852. Transferring an entire account or a partial account

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

#### 4853. Transfer through a recognized account transfer facility

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

#### 4854. Communications between Dealers

- (1) 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 *Dealers* must take place by electronic delivery through a *recognized account transfer facility*.
- (2) A *Dealer* must pay its costs for delivering or receiving communications under Part B.1 of Rule 4800.

## Appendix 1A – Clean copies of proposed rule amendments

### Investment Dealer and Partially Consolidated Rules

- (3) A *Dealer* must select, implement, and maintain appropriate security measures to protect its delivered and received communications.
- (4) A *Dealer* must:
  - (i) acknowledge that the communications it delivers under Part B.1 of Rule 4800 will be relied on by the *Dealer* receiving it, and
  - (ii) indemnify and save harmless other *Dealers* from any claims, losses, damages, liabilities or expenses the *other Dealers* suffer because of relying on those communications it delivers under Part B.1 of Rule 4800 that are unauthorized, inaccurate, or incomplete.

#### 4855. Receiving Dealer - responsibilities for documents

- (1) If a *receiving Dealer* receives a request from a client to accept an account and related cash balances and *positions*, it must obtain 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 provides authorization to the *receiving Dealer*, the *receiving Dealer* must:
  - (i) promptly send a request for transfer (using an account transfer authorization form approved by the *Corporation*) by electronic delivery through a *recognized account transfer facility* to the *delivering Dealer*, and
  - (ii) keep the account transfer authorization on file.
- (3) The *receiving Dealer* must ensure that the supporting information and authorization required to transfer accounts are obtained before the request for transfer is delivered and retained.

#### 4856. Delivering Dealer - response to request for transfer

- (1) When the *delivering Dealer* receives the request for transfer, it must either:
  - (i) deliver to the *receiving Dealer*, by the specified list return date, the cash balances and *positions* list relating to the client account being transferred, or
  - (ii) reject the request for transfer if the client and client account information is unknown to the *delivering Dealer* 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 the *delivering Dealer* 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).

## Appendix 1A – Clean copies of proposed rule amendments

### Investment Dealer and Partially Consolidated Rules

#### 4857. Transfer impediment

- (1) If there is an impediment at the *delivering Dealer* to the requested transfer of one or more cash balances or *positions*, the *delivering Dealer* must send a notification to the *receiving Dealer* within 2 *clearing days* after the specified list return date, identifying:
  - (i) the cash balances and *positions* that have an impediment,
  - (ii) the reason or reasons for 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) 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
    - (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:

## Appendix 1A – Clean copies of proposed rule amendments

### Investment Dealer and Partially Consolidated Rules

- (i) no transfer impediments exist, or
- (ii) one or more transfer impediments exist and the *receiving Dealer* has:
  - (a) obtained client instructions 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) 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.
- (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. Settlement standard and failure to settle on time

- (1) The *delivering Dealer* and *receiving Dealer* must settle a client *account transfer* request within 10 *clearing days* of the *delivering Dealer* receiving the *account transfer* request 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* may complete the *account transfer*, at its option, by:
  - (i) buying-in the unsettled *position* in accordance with section 4810,
  - (ii) lending the *position* to the *delivering Dealer* through a recognized depository and simultaneously transferring the same *position* into the client account, or
  - (iii) making other mutually agreed arrangements with the *delivering Dealer* so that the *account transfer* can be considered completed.
- (3) Any loan in clause 4859(2)(ii) must be marked to market and the lent *securities* will be considered delivered to the *receiving Dealer* to settle the *account transfer*.

#### 4860. Other investment products

- (1) *Positions* in investment products that are not traded on a marketplace are considered transferred when the *delivering Dealer* delivers transfer instructions to the *receiving Dealer* by electronic delivery through a *recognized account transfer facility* and these instructions are carried out.

## Appendix 1A – Clean copies of proposed rule amendments

### Investment Dealer and Partially Consolidated Rules

- (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 transfer form,
  - (ii) a completed and signed power of attorney, and
  - (iii) confirmation that *positions* that could not be transferred through use of a *recognized account transfer facility* have been transferred.

#### 4861. Interest or dividend receipt balances

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

#### 4862. Margin

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

#### 4863. Responsibility for margining account

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

#### 4864. Fees and charges

- (1) Before or at the time of an *account transfer*, a *delivering Dealer* may deduct any fee or charge in accordance with the *delivering Dealer's* current 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. Exemption from client-initiated account transfer requirements

- (1) The *Corporation* may exempt a *Dealer* 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*, 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.

**Appendix 1A – Clean copies of proposed rule amendments**  
**Investment Dealer and Partially Consolidated Rules**

**4866. – 4869. Reserved.**

**PART B.2 - FIRM-INITIATED BULK ACCOUNT MOVEMENTS**

**4870. Definitions**

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

“bulk account movement” ( <i>déplacement de comptes en bloc</i> )	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 <i>Dealer</i> .
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**4871. Prompt bulk account movements**

- (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* is receiving in a significant number of client accounts, the *Corporation* may grant the *Dealer* an exemption from the applicable account opening requirement completion timelines.
- (2) The *Corporation* will grant such exemption if it is satisfied that:
- (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's* clients, the public or the *Dealer*.
- (3) In granting such an exemption under subsection 4872(1), the *Corporation* may impose any terms and conditions it considers necessary.

**4873. – 4899. Reserved.**