

## SERIES 1000 | INTERPRETATION AND PRINCIPLES RULES

### RULE 1100 | INTERPRETATION

---

[...]

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

- (1) If a *Corporation requirement* requires an *individual* at a *Dealer Member* to perform a function, ~~;~~
  - (i) that *individual* may delegate the tasks or activities involved in performing the function *to another individual, or*
  - (ii) the *Dealer Member* may automate tasks or activities that assist in the *individual's* performance of the function.

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

[...]

## RULE 1200 | DEFINITIONS

### 1201. Definitions

[...]

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

[...]

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

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

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

[...]

**RULE 1500 | MANAGING SIGNIFICANT AREAS OF RISK**

---

**1501. Introduction**

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

**1502. Responsibility for significant areas of risk**

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

**1503. – 1999. Reserved.**

## SERIES 2000 | DEALER MEMBER ORGANIZATION AND INDIVIDUAL APPROVAL RULES

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

#### 2501. Introduction

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

#### PART A - DEALER MEMBER DIRECTORS AND EXECUTIVES

#### 2502. General requirements for Directors

- (1) No *individual* may become a member of the board of directors of a *Dealer Member* unless that *individual* has been approved as a *Director* by the *Corporation*.
- (2) At least 40% of the *Dealer Member's Directors* must:
  - (i) either:
    - (a) ~~be actively engaged in the business of the Dealer Member and~~ spend the majority of their time in the securities or derivatives industry, except those ~~on active government service, or~~ who for health reasons acceptable to the Corporation are prevented from ~~such active engagement~~doing so, or
    - (b) occupy a position equivalent to an *Executive* at the Dealer Member, or executive or a Director~~director~~ at a related or *affiliated* firm registered with a securities regulatory authority, an *affiliated* foreign securities dealer or advisor, or an *affiliated* Canadian financial institution,
  - (ii) satisfy the ~~application~~applicable proficiency requirements of:
    - (a) in the case of Directors of Investment Dealer Members, clause 2602(3)(xxix), or
    - (b) in the case of Directors of Mutual Fund Dealer Members, clause 2602(3)(xxxvii),
 and
  - (iii) have at least five years of experience in the financial services industry, or such lesser period as may be acceptable to the *Corporation*.
- (3) The ~~remaining~~Chair and Vice Chair of the board of *Directors* ~~who do not meet subsection 2502(2) must, if actively engaged in the business of the Dealer Member or its related company, must~~ meet the requirements of ~~sub-clause 2502(2)(i)(b) and:~~
  - (i) in the case of Directors of Investment Dealer Members, clause ~~2502(2)~~2602(3)(xxix),  
or
  - (ii) in the case of Directors of Mutual Fund Dealer Members, clause 2602(3)(xxxvii).

**2503. General requirements for Executives**

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

**2504. Exemption**

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

**2505. Chief Financial Officer**

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

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

#### 2506. Chief Compliance Officer

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



(a) in the case of acting Chief Compliance Officers of Investment Dealer Members,  
clause 2602(3)(xxxi)

(b) in the case of acting Chief Compliance Officer of Mutual Fund Dealer Members,  
clause 2602(3)(xxxix)

and be designated as *Chief Compliance Officer*, or

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

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

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

#### 2507. Ultimate Designated Person

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

#### 2508. – 2549. Reserved.

### PART B - APPROVAL OF INDIVIDUALS

#### 2550. Introduction

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

**2551. Individual approval**

- (1) An *individual* is not permitted to act as an *Approved Person* and a *Dealer Member* is not permitted to allow an *individual* to act as an *Approved Person* unless:
  - (i) the *Dealer Member* is registered (or exempt from such registration) in the appropriate category under *securities laws* in each jurisdiction in which clients of the *Dealer Member* reside or in which the *Dealer Member* carries on *securities and derivatives related business*,
  - (ii) the *individual*, if required to do so under *securities laws*, is registered (or exempt from such registration) in the appropriate category under *securities laws* in each jurisdiction in which clients of the *individual* reside or in which the *individual* carries on *securities and derivatives related business*, and
  - (iii) the *individual* is approved by the *Corporation* in the appropriate *Approved Person* category, before the *individual* begins working in that role. In the case of an individual seeking approval as:
    - (a) ~~a Registered Representative dealing in mutual funds only who is at an employee of a firm~~ Investment Dealer Member that is registered as both an investment dealer and a mutual fund dealer, such approval will be automatic upon the *individual's* registration as a Mutual Fund Dealer - Dealing Representative with the applicable securities regulatory authorities, or
    - (b) a Chief Compliance Officer, an Ultimate Designated Person, and/or a Registered Representative, all at a Mutual Fund Dealer Member, such approval will be automatic upon the individual's registration as a chief compliance officer, ultimate designated person and/or Mutual Fund Dealer – Dealing Representative, respectively, with the applicable securities regulatory authorities.
- (2) Only a *Dealer Member's* director, partner, officer or employee can be an *Approved Person*.
- (3) A *Dealer Member* must ensure that each *Approved Person* at the *Dealer Member* complies with *Corporation requirements* applicable to that *individual's* *Approved Person* category.
- (4) All *Approved Persons* are subject to *Corporation* jurisdiction and must comply with *Corporation requirements*.
- (5) A *Dealer Member* must ensure that, when dealing with the public, its *Approved Persons* use titles and designations that accurately indicate:
  - (i) the type of business that they have been approved by the *Corporation* to conduct, and
  - (ii) the role that they carry out or has been approved by the *Corporation* to carry out.
- (6) If an *Approved Person* ceases to be approved, the former *Approved Person* must immediately cease any activity requiring *Corporation* approval.
- (7) Except as set out in subsection ~~2551(82302(3))~~, an *Approved Person* of a Dealer Member must not accept, nor allow an *associate* to accept, directly or indirectly, any remuneration, gratuity, benefit or other consideration from any person other than the *Dealer Member*, its related companies, or affiliates for any *Dealer Member* related activities carried out by the *Approved Person*.

~~(8) — Where an individual:~~

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

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

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

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

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

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

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

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

~~(ii) — liabilities to third parties, including clients~~

~~irrespective of the method by which any remuneration, gratuity, benefit or other consideration is disbursed,~~

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

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

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

## 2552. Compliance with the proficiency requirements or other conditions

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

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

(i) meet the applicable proficiency requirements set out in Rule 2600 before Corporation approval is granted, and

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

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

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

- (iv) The Investment Dealer Member must notify the *Corporation* which of its *individuals* approved as a *Registered Representative, Investment Representative, Portfolio Manager* or *Associate Portfolio Manager* will deal in or advise in:
  - (a) only mutual funds, government or government-guaranteed debt instruments, and deposit instruments issued by a federally regulated bank, trust company, credit union or caisse populaire, except those for which all or part of the interest or return is indexed to the performance of another financial instrument or index,
  - (b) options or similar derivatives,
  - (c) futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives, other than in any province where approval is required, and
  - (d) general securities business; including equities, fixed income and other investment products not listed above.
- ~~(4) — An individual applying for approval as a Registered Representative or Investment Representative dealing only in mutual funds must comply with the applicable proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) or 2602(3)(xiii).~~
- ~~(5) —~~ The post-approval proficiency requirements in clauses 2602(3)(vi) or 2602(3)(xiii) do not apply to ~~a Registered Representative or an~~ Investment Representative Dealer Member's Registered Representative or Investment Representative approved prior to September 28, 2009 and registered in provinces or territories which allowed the *individual* to be restricted to only mutual funds, provided they remain in the same restricted category of approval in the same provinces/territories.
- ~~(6) — The approval of an individual qualified to deal only in mutual funds is automatically suspended if the individual fails to satisfy the post-approval requirements in clauses 2602(3)(vi) or 2602(3)(xiii) in accordance with subsections 2552(2) and 2552(3).~~

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

- (1) An *Approved Person* may have, and continue in, an activity outside of the *Dealer Member*, if the outside activity:
  - (i) is not contrary to *securities laws* or *Corporation requirements*, and
  - (ii) does not bring the securities industry into disrepute.
- (2) An *Approved Person* may have, and continue in, an outside activity, if:
  - (i) the *Approved Person* informs the *Dealer Member* of the outside activity,
  - (ii) the *Approved Person* obtains the *Dealer Member's* prior approval to engage in the outside activity,
  - (iii) the *Dealer Member's* policies and procedures specifically address:
    - (a) continuous service to clients, and
    - (b) potential conflicts of interest,
 and,
  - (iv) the *Dealer Member* notifies the *Corporation* of the outside activity within the time period and manner required by National Instrument 33-109.

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

#### 2555. Approval of investors

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

#### 2556. – 2599. Reserved.

## RULE 2600 | PROFICIENCY REQUIREMENTS AND EXEMPTIONS FROM PROFICIENCIES

### 2601. Introduction

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

### PART A - PROFICIENCY REQUIREMENTS

#### 2602. Proficiency requirements for Approved Persons and approved investors

- (1) An *Approved Person* must not perform an activity that requires approval unless the *Approved Person* has the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each *security*, derivative and precious metals bullion the *Approved Person* recommends.
- (2) The *Dealer Member* must ensure that an *individual* does not perform an activity that requires *Corporation* approval unless the *individual* has the education, training provided in accordance with section 1407, and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each *security*, derivative and precious metals bullion the *individual* recommends.
- (3) Each applicant in an *Approved Person* category or *approved investor* category must meet the applicable proficiency requirements ~~set out~~prescribed below ~~for that category~~before the Corporation will grant approval, unless an exemption has been granted from the applicable ~~proficiency~~ requirements before the *Corporation* will grant approval. Unless otherwise stated, the Canadian Securities Institute administers the courses and examinations noted below.

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



|  |
|--|
| <ul style="list-style-type: none"> <li>Registered Representative dealing with <i>institutional clients</i> (other than a Registered Representative dealing in derivatives or only in mutual funds)</li> </ul>  |
| <ul style="list-style-type: none"> <li>Registered Representative dealing in options or similar derivatives with <i>retail clients</i></li> </ul>   |
| <ul style="list-style-type: none"> <li>Registered Representative dealing in options or similar derivatives with <i>institutional clients</i></li> </ul>  |
| <ul style="list-style-type: none"> <li>Registered Representative dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives with <i>retail or institutional clients</i></li> </ul>               |
| <ul style="list-style-type: none"> <li>Registered Representative dealing in mutual funds only who is an employee of a firm registered as an investment dealer and not registered as a mutual fund dealer</li> </ul>  |
| <ul style="list-style-type: none"> <li>Registered Representative dealing in mutual funds only who is an employee of a firm registered as both an investment dealer and a mutual fund dealer</li> </ul>   |
| <b><u>Investment Dealer Member Investment Representatives</u></b>  |
| <ul style="list-style-type: none"> <li>Investment Representative dealing with <i>retail clients</i> (other than an Investment Representative dealing in derivatives or only in mutual funds)</li> </ul>  |
| <ul style="list-style-type: none"> <li>Investment Representative dealing with <i>institutional clients</i> (other than an Investment Representative dealing in derivatives or only in mutual funds)</li> </ul>   |
| <ul style="list-style-type: none"> <li>Investment Representative dealing in options or similar derivatives with <i>retail clients</i></li> </ul>   |
| <ul style="list-style-type: none"> <li>Investment Representative dealing in options or similar derivatives with <i>institutional clients</i></li> </ul>  |
| <ul style="list-style-type: none"> <li>Investment Representative dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives with <i>retail or institutional clients</i></li> </ul>               |
| <ul style="list-style-type: none"> <li>Investment Representative dealing in mutual funds only who is an employee of a firm registered as an investment dealer and not registered as a mutual fund dealer</li> </ul>  |
| <b><u>Investment Dealer Member Associate Portfolio ManagerManagers and Portfolio ManagerManagers</u></b>   |
| <ul style="list-style-type: none"> <li>Associate Portfolio Manager providing discretionary portfolio management for <i>managed accounts</i></li> </ul>   |
| <ul style="list-style-type: none"> <li>Portfolio Manager providing discretionary portfolio management for <i>managed accounts</i></li> </ul>   |
| <b><u>Investment Dealer Members TraderTraders</u></b>  |
| <ul style="list-style-type: none"> <li>Trader</li> </ul>   |
| <ul style="list-style-type: none"> <li>Trader on the Montréal Exchange</li> </ul>  |
| <b><u>Supervisor — Retail or Institutional Investment Dealer Member Supervisors</u></b>  |
| <ul style="list-style-type: none"> <li>Supervisor of Registered Representatives or Investment Representatives (<del>other than supervising</del><u>except those dealing with clients in</u> derivatives)</li> </ul>  |
| <ul style="list-style-type: none"> <li>Supervisor of Registered Representatives or Investment Representatives dealing with clients in options or similar derivatives</li> </ul>  |
| <ul style="list-style-type: none"> <li>Supervisor of Registered Representatives or Investment Representatives dealing with clients in futures contracts, forward contracts, contracts for difference, futures contract options or similar derivatives</li> </ul> |
| <b><u>Designated Supervisor</u></b>  |
| <ul style="list-style-type: none"> <li>Supervisor <del>designated to be</del> responsible for the opening of new accounts and supervision of account activity</li> </ul>   |
| <ul style="list-style-type: none"> <li>Supervisor <del>designated to be</del> responsible for the supervision of <i>discretionary accounts</i></li> </ul>  |



|  |
|--|
| • Supervisor <del>designated to be</del> responsible for the supervision of <i>managed accounts</i>  |
| • Supervisor <del>designated to be</del> responsible for the supervision of option and similar <i>derivative accounts</i>  |
| • Supervisor <del>designated to be</del> responsible for the supervision of futures contract, forward contract, <del>contracts</del> <u>contract</u> for difference, futures contract option and similar <i>derivative accounts</i>      |
| • Supervisor <del>designated to be</del> responsible for the pre-approval of <del>advertising</del> <u>advertisements</u> , sales <del>literature</del> <u>communications</u> and <del>correspondence</del> <u>client communications</u> |
| • Supervisor <del>designated to be</del> responsible for the supervision of <i>research reports</i>  |
| <b><del>Executive and Director</del> <u>Investment Dealer Member Executives and Directors</u></b>  |
| • Executive <del>(including Ultimate Designated Person)</del>  |
| • Director <u>(where required in section 2502)</u>   |
| • Chief Financial Officer  |
| • Chief Compliance Officer   |
| • <u>Ultimate Designated Person</u>  |
| <b><u>Investment Dealer Member Approved investor investors</u></b>   |
| • Approved investor  |
| <b><u>Mutual Fund Dealer Member Approved Person Categories</u></b>   |
| <b><u>Mutual Fund Dealer Registered Representatives</u></b>  |
| • <u>Registered Representatives dealing in mutual funds only</u>   |
| <b><u>Mutual Fund Dealer Member Supervisors</u></b>  |
| • <u>Supervisor</u>  |
| <b><u>Mutual Fund Dealer Member Executives and Directors</u></b>   |
| • <u>Executive</u>   |
| • <u>Director (where required in section 2502)</u>   |
| • <u>Chief Financial Officer</u>   |
| • <u>Chief Compliance Officer</u>  |
| • <u>Ultimate Designated Person</u>  |
| <b><u>Mutual Fund Dealer Member Approved investors</u></b>   |
| • <u>Approved investor</u>   |

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

| Approved Person category   | Pre-approval requirements  | Post-approval requirements  | Experience and other proficiency related requirements                                     |
|--|--|---|---|
| (i) <i>Registered Representative dealing with retail clients (other than a Registered Representative dealing in derivatives or only in mutual funds)</i>         | (a) (I) Either:<br><div style="margin-left: 40px;">(A) Canadian Securities Course,</div> <div style="margin-left: 40px;">or,</div> <div style="margin-left: 40px;">(B) Level I or higher of the CFA Program administered by the CFA Institute,</div> <div style="margin-left: 20px;">(II) Conduct and Practices Handbook Course,</div> <div style="margin-left: 20px;">and</div> <div style="margin-left: 20px;">(III) 90-day training program after completion of the requirements in paragraph 2602(3)(i)(a)(I),</div> <div style="margin-left: 20px;">or,</div> <div style="margin-left: 20px;">(b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years before requesting approval, New Entrants Course.</div> | (c) Completion of Wealth Management Essentials Course within 30 months after initial approval date as a <i>Registered Representative</i> in accordance with subsection 2552(2). | (d) Six months of supervision from initial approval date in accordance with section 3947. |
| (ii) <i>Registered Representative dealing with institutional clients (other than a Registered Representative dealing in derivatives or only in mutual funds)</i> | (a) (I) Either:<br><div style="margin-left: 40px;">(A) Canadian Securities Course,</div> <div style="margin-left: 40px;">or,</div> <div style="margin-left: 40px;">(B) Level I or higher of the CFA Program administered by the CFA Institute,</div> <div style="margin-left: 20px;">and,</div> <div style="margin-left: 20px;">(II) Conduct and Practices Handbook Course,</div> <div style="margin-left: 20px;">or,</div> <div style="margin-left: 20px;">(b) If previously registered or approved with a <i>recognized foreign regulatory organization</i> in a similar capacity within three years before requesting approval, New Entrants Course.</div>  |   |   |
| (iii) <i>Registered Representative</i>   | (a) (I) Requirements in sub-clause 2602(3)(i)(a),  | (c) Requirements in sub-clause 2602(3)(i)(c).   | (d) Six months of supervision   |

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

| Approved Person category  | Pre-approval requirements   | Post-approval requirements | Experience and other proficiency related requirements  |
|---|---|----------------------------|--|
|   | (b) If previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options or similar <i>derivatives</i> within three years before requesting approval:<br>(I) New Entrants Course,<br>(II) Securities Industry Essentials Exam administered by the Financial Industry Regulatory Authority,<br>and,<br>(III) Series 7 Exam administered by the Financial Industry Regulatory Authority.  |                            |  |
| (v) <i>Registered Representative</i> dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> with <i>retail clients</i> or <i>institutional clients</i> | (a) Futures Licensing Course,<br>(b) Conduct and Practices Handbook Course,<br>and,<br>(c) Any of the following:<br>(I) Derivatives Fundamentals Course,<br>(II) Derivatives Fundamentals and Options Licensing Course,<br>or,<br>(III) If previously registered with the National Futures Association in a similar capacity and dealing in futures contracts, forward contracts, contracts for difference, futures contract options or similar <i>derivatives</i> within three years before requesting approval, Series 3 Exam administered by the Financial Industry Regulatory Authority (on |                            | (d) Six months of supervision from initial approval date for those dealing with <i>retail clients</i> in accordance with section 3947. |

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

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

2604. – 2624. Reserved.

## PART B - EXEMPTIONS FROM PROFICIENCY REQUIREMENTS

### 2625. Specific exemptions

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

### 2626. General and discretionary exemptions

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



**2627. Exemptions from completing the required courses**

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

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

**2628. Course validity and exemptions from rewriting or repeating courses**

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

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

- (6) An *individual* is exempt from rewriting or repeating the courses as set out in the table below if the *individual* has met the current status criteria and exemption criteria.

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

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

2629. Reserved

#### PART C - TRANSITION PROVISIONS

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

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

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

(2) The Corporation will:

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

**2631. – 2699. Reserved.**

## RULE 2800 | THE NATIONAL REGISTRATION DATABASE

### 2801. Introduction

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

### 2802. Definitions

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

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

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

### 2803. Dealer Member obligations for the National Registration Database

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

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

(ii) Before filing a notice of change of business type under sub-clause 2803(2)(i)(b) above, a *Dealer Member* must notify the *Corporation* through the *National Registration Database* that either:

- (a) the *Approved Person* has completed the necessary proficiency requirements under section 2602(3) to undertake the type of business, or
- (b) the *Approved Person* has been granted an exemption from the proficiency requirements under sections 2625 through 2628.

**2804. Temporary hardship exemption**

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

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

**2805. Due diligence and record keeping**

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

**2806. Fees**

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



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

**2807. Cessation of Approved Person status**

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

**2808. Reinstatement of Approved Persons**

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

**2809. – 2999. Reserved.**

## SERIES 3000 | BUSINESS CONDUCT AND CLIENT ACCOUNTS RULES

### RULE 3100 | DEALING WITH CLIENTS

---

#### 3101. Introduction

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

#### PART A – BUSINESS CONDUCT

##### 3102. Business conduct

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

3103. – ~~3109~~3104. ~~–~~ Reserved.

#### PART B – CONFLICTS OF INTEREST

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

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

**31113106. Approved Person responsibility to address conflicts of interest**

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

**31123107. Dealer Member responsibility to address conflicts of interest**

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

**31133108. Responsibility to disclose conflicts of interest**

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

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

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

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

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

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

- (iv) Lending to clients
  - (a) Lending money, or providing a *guarantee* in relation to a loan of money, ~~securities~~investment products or any other assets to a client, unless:
    - (I) the client is a Related Person as defined by the Income Tax Act (Canada) and the transaction complies with the *Dealer Member's* policies and procedures, and
    - (II) in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives* and *Registered Representatives*, the arrangement set out in paragraph ~~3115(23110(2))~~(iv)(a)(I) is disclosed to and approved in writing by the *Dealer Member*, prior to the transaction.
- (v) Control or authority
  - (a) ~~Acting~~Accepting or acting as a Power of Attorney, trustee, executor, or otherwise having full or partial control or authority over the financial affairs of a client, unless:
    - (I) the client is a Related Person as defined by the Income Tax Act (Canada) and the existence of such control is addressed in accordance with the *Dealer Member's* policies and procedures, and
    - (II) in the case of *Associate Portfolio Managers, Portfolio Managers, Investment Representatives* and *Registered Representatives*, the arrangement in paragraph ~~3115(23110(2))~~(v)(a)(I) is disclosed to and approved in writing by the *Dealer Member*, prior to entering into the arrangement.
  - (b) In the case of *discretionary accounts* and *managed accounts*, paragraph ~~3115(23110(2))~~(v)(a)(I) does not apply to the extent that the control or authority is solely exercised consistent with the terms of the *discretionary account* agreement or the *managed account* agreement, and with *Corporation requirements* for such accounts.

(vi) Beneficiary status and estate bequests

- (a) For the purposes of 3110(vi)(b), "immediate family" means parents, grandparents, mother-in-law or father-in-law, spouse or domestic partner, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and any other person who resides in the same household as the Approved Person or employee and the Approved Person or employee financially supports, directly or indirectly, to a material extent. The term includes step and adoptive relationships.
- (b) Accepting the status of a beneficiary of a client's estate or receiving a bequest from a client's estate upon learning of such status, unless:
  - (I) the client is a member of the employee's or Approved Person's immediate family; and
  - (II) in the case of Associate Portfolio Managers, Portfolio Managers, Investment Representatives and Registered Representatives, the proposed

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

**~~3116~~3111. Offering gratuity**

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

**~~3117~~3112. Mutual fund sales incentives**

- (1) For purposes of section ~~3117~~3112, the term "non-cash sales incentive" includes, without limitation, domestic or foreign trips, goods, services, gratuities, advantages, benefits or any other non-cash compensation.
- (2) A Dealer Member, related company, partner, employee or Approved Person of the Dealer Member or related company, must not, directly or indirectly, accept or pay any non-cash sales incentive in connection with the sale or distribution of mutual fund products.
- (3) The prohibition against non-cash mutual fund sales incentives in section ~~3117~~3112 does not apply to:
  - (i) non-cash sales incentives earned or awarded through a Dealer Member's internal incentive program for which eligibility is determined with respect to all services and products offered by the Dealer Member,
  - (ii) commissions or fees payable in cash and calculated with reference only to particular sales or volumes of sales of mutual fund,
  - (iii) service fees or trailing commissions,
  - (iv) cost of marketing materials, or
  - (v) normal and reasonable business promotion activities taking place where the recipient is employed or resides.

**~~3118~~3113. Tied selling**

- (1) A Dealer Member must not require a client to transact in, purchase, sell, use or invest in any investment product, or service, ~~security or derivative~~ as a condition, or on terms that would appear to a reasonable person to be a condition, of, supplying, continuing to supply, buying or selling ~~a~~another investment product, or service, ~~security or derivative~~.
- (2) Subsection ~~3118~~(~~13113~~(1)) does not prohibit a Dealer Member from providing financial incentives or advantages such as relationship pricing or other beneficial selling arrangements, to clients.

**3114. Referral Arrangements**

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

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

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

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

**3115. – 3118. - Reserved**

[...]



## RULE 3200 | KNOW-YOUR-CLIENT AND CLIENT ACCOUNTS

---

### 3201. Introduction

- (1) Rule 3200 sets out *Dealer Members'* obligations when opening new accounts and maintaining existing accounts. Rule 3200 is divided into seven parts as follows:
  - Part A ~~—~~ Know-Your-Client and Client Identification Requirements:  
 sets out *Dealer Members'* obligation to know and identify each client and to learn and remain informed of the essential facts about each client, account and order accepted.  
 [sections 3202 through 3209]
  - Part B ~~—~~ Requirements for Client Accounts:  
 sets out the general account opening and updating procedures that, subject to certain exceptions specified within the requirements, are applicable to all accounts.  
 [sections 3210 through 3222]
  - Part C ~~—~~ Advisory Accounts:  
 sets out requirements that apply where the account is an *advisory account*.  
 [section 3230]
  - Part D ~~—~~ Order Execution Only Accounts:  
 sets out requirements that apply where the account is an *order execution only account*.  
 [sections 3240 and 3241]
  - Part E ~~—~~ Margin Accounts:  
 sets out requirements that apply where the account is a margin account.  
 [sections 3245 through 3247]
  - Part F ~~—~~ Additional Account Opening and Updating Procedures for Derivatives Trading Accounts:  
 sets out additional account opening and updating procedures for *derivatives* accounts.  
 [sections 3250 through 3255]
  - Part G ~~—~~ Discretionary Accounts and Managed Accounts:  
 sets out requirements that apply where the account is either a *discretionary account* or a *managed account*.  
 [sections 3270 through 3281]
- (2) Rule 3200 applies to *Dealer Members* in addition to all other *Corporation requirements*. No part of Rule 3200, unless otherwise specified, shall be interpreted to grant a *Dealer Member* an exemption for complying with other *Corporation requirements*.
- (3) The following terms have the meaning set out below when used in Part A – Know-Your-Client and Client Identification Requirements and Part B – Requirements for Client Accounts:

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

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

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

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

### 3202. Know Your-Client

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

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

### 3203. Identifying partnerships or trusts

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

### 3204. Identifying corporations

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

### 3205. Prohibition on shell banks

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

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

### 3206. Establishing identity

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

### 3207. Identification exceptions

- (1) Sections 3203, 3204 and 3206 do not apply to:
  - (i) An entity registered under *securities laws* to:
    - (a) engage in the business of trading or advising in *securities* or *derivatives*, or
    - (b) act as an investment fund manager,
  - (ii) an investment fund that is regulated under *securities laws*,
  - (iii) a Canadian financial institution (as described in sub-section 3207(2) below),
  - (iv) an *affiliate* of a Canadian financial institution (as described in sub-section 3207(2) below), if that *affiliate* carries out activities similar to that Canadian financial institution,
  - (v) a Schedule III bank,
  - (vi) a pension fund that is regulated by or under an Act of Parliament or the legislature of a province,
  - (vii) an entity that is a Canadian public body, or a corporation that has minimum net assets of \$75 million on its last audited balance sheet and whose shares are traded on a Canadian stock exchange or a stock exchange designated under section 262(1) of the Income Tax Act (Canada), and operates in a country that is a member of the Financial Action Task Force. For the purpose of clause 3207(1)(vii), the term “stock exchange” has the same interpretation as used in the Income Tax Act (Canada), or
  - (viii) an entity that is an *affiliate* of a public body or a corporation referred to in [paragraph clause 3207\(1\)](#)(vii) above and the financial statements of the entity are consolidated with the financial statements of that public body or corporation.

- (2) A Canadian financial institution includes:
- (i) an association governed by the Cooperative Credit Associations Act (Canada) ~~or a central cooperative credit society for which an order has been made under section 473(1) of that Act~~, or
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada.

### 3208. Exemptions from Know-Your-Client

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

### 3209. Primary responsibility, delegation and obligation to keep current

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

## PART B – REQUIREMENTS FOR CLIENT ACCOUNTS

### 3210. Definitions

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

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

### 3211. Account appropriateness

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

### 3212. Account information

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

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

### 3213. Account opening policies and procedures

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

### 3214. Opening new client accounts

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



- (5) If a ~~designated~~ Supervisor does not approve a new account after the initial trade, the Dealer Member must restrict the account solely to only liquidating trades, ~~transfers out,~~ paying out funds or delivering ~~securities to the client~~ out investment product positions. These account restrictions must remain in place until the ~~designated~~ Supervisor has provided final approval of the account.
- (6) Before opening a new account for an employee of another Investment Dealer Member, ~~the an Investment~~ Dealer Member must obtain written approval from the other Investment Dealer Member, and must designate the account as *non-client account*.

### 3215. Updating client accounts

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



**3216. Relationship Disclosure****(1) Objective of relationship disclosure requirements**

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

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

**(2) Frequency of provision of relationship disclosure information**

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

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

**(3) Form of relationship disclosure information**

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

**(4) Format of relationship disclosure information**

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

**(5) Content of relationship disclosure information**

- (i) The relationship disclosure information must be entitled "Relationship Disclosure".

- (ii) Subject to clause 3216(5)(iii), the relationship disclosure information must contain the following:
  - (a) a general description of the types of products and services the *Dealer Member* will offer to the client including:
    - (I) a description of the restrictions on the client's ability to liquidate or resell ~~a security~~an investment product, and
    - (II) a statement of the investment fund management expense fees or other ongoing fees the client may incur in connection with ~~a security~~an investment product or service the *Dealer Member* provides,
  - (b) a general description of any limits on the products and services the *Dealer Member* will offer to the client including:
    - (I) whether the firm will primarily or exclusively provide proprietary products to the client, and
    - (II) whether there will be other limits on the availability of products or services,
  - (c) a description of the account relationship that states:
    - (I) whether the account opened is an *advisory account*, a *managed account* or an *order execution only account*,
    - (II) whether the client is responsible for making investment decisions and, if so, the ~~manner in which~~way the client will instruct the *Dealer Member* to effect transactions for the account, and
    - (III) whether recommendations or advice will be provided to the client and, if so, the responsibilities and obligations of the *Dealer Member* and its *employees* for any recommendations or advice provided to the client,
  - (d) a description of the process used by the *Dealer Member* to determine suitability, including:
    - (I) a description of the approach used by the *Dealer Member* to assess the client's personal and financial circumstances, investment needs and objectives, investment time horizon, risk profile and investment knowledge,
    - (II) a statement that the client will be provided with a copy of the "know-your-client" information that is obtained from the client and documented at time of account opening and when there are significant changes to the information,
    - (III) a statement that the *Dealer Member* will determine that any investment action it takes, recommends or decides on, for the client is suitable for the client and puts the client's interest first, including when:
      - (A) ~~securities~~investment product positions are received into or delivered out of the client's account by way of deposit, withdrawal or transfer,
      - (B) there is a change in the *Registered Representative*, *Portfolio Manager* or *Associate Portfolio Manager* responsible for the account,

- (C) the *Dealer Member* becomes aware of a change in the *retail client's* information collected in accordance with subsection 3202(1) that could result in the *retail client's* account not satisfying subsection 3402(1),
  - (D) the *Dealer Member* becomes aware of a change in ~~a security~~an investment product position in the *retail client's* account that could result in the account not satisfying subsection 3402(1), or
  - (E) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4),
- (IV) a statement indicating whether or not the suitability of the investments held in the account will be reviewed in the case of other triggering events not described in paragraph 3216(5)(ii)(d)(III) and, in particular, in the event of significant market fluctuations,
- (e) a description of the client account reporting that the *Dealer Member* will provide, including:
- (I) a statement indicating when trade confirmations and account statements will be sent to the client,
  - (II) a description of the *Dealer Member's* minimum obligations to provide performance information to the client and a statement indicating when account position cost and account activity information will be provided to the client, and
  - (III) a statement indicating whether or not the provision of account percentage return information will be an option available to the client as part of the account service offering,
- (f) a statement indicating that any *Dealer Member* and *Approved Person* existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, which are not avoided, will be addressed in the best interest of the client and will be disclosed, where required, to the client in a timely manner, upon identification of the conflict,
- (g) a general description of any benefits received, or expected to be received, by the *Dealer Member* or the *Approved Person*, from a *person* or company other than the *Dealer Member's* client, in connection with the client's purchase or ownership of ~~a security~~an investment product position through the *Dealer Member*,
- (h) a description of all account service fees and charges the client will or may incur relating to the general operation of the account,
- (i) a description of all charges the client will or may incur in making, disposing and holding investments by type of *investment product*,
- (j) a general explanation of the potential impact on a client's investment returns from each of the fees and charges described in 3216(5)(ii)(a)(II), and 3216(5)(ii)(h) and (i), including the effect of compounding over time,

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

### 3217. Leverage risk disclosure statement

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

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

### 3218. Pre-trade disclosure of charges

- (1) Before a *Dealer Member* accepts an instruction from a *retail client* to transact in or to purchase or sell ~~a security or precious metals bullion or to transact in derivatives~~investment products in an account other than a *managed account*, the *Dealer Member* must disclose to the client:
  - (i) the charges the client will be required to pay, directly or indirectly, in respect of the transaction, purchase, ~~or~~ sale ~~or transaction~~, or a reasonable estimate if the actual amount of the charges is not known to the firm at the time of disclosure,
  - (ii) in the case of a purchase or other transaction to which deferred charges apply, that the client might be required to pay a deferred sales charge on the subsequent sale or closing transaction and the fee schedule that will apply,
  - (iii) whether the firm will receive trailing commissions, and
  - (iv) whether there are any investment fund management expense fees or other ongoing fees that the client may incur in connection with the ~~security~~investment product.
- (2) Subsection 3218(1) does not apply to a *Dealer Member* in respect of an instruction involving:
  - (i) a client for whom the *Dealer Member* transacts, purchases, ~~or~~ sells ~~or transacts~~ only as directed by a registered adviser acting for the client.

### 3219. Client mail

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

- (i) a rule requiring the control and investigation by a *person* independent of the sales function, but may be located within a *business location*, and
- (ii) a rule requiring that a record of all investigations and their results be maintained.

### 3220. Record keeping

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

### 3221. Prohibition against discretionary trading

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

### 3222. Conditions for temporary holds

- (1) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of *financial exploitation* of a *vulnerable client*, unless the *Dealer Member* reasonably believes all of the following:
  - (i) the client is a *vulnerable client*,
  - (ii) *financial exploitation* of the client has occurred, is occurring, has been attempted or will be attempted.
- (2) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of a client's lack of mental capacity unless the *Dealer Member* reasonably believes that the client does not have the mental capacity to make decisions involving financial matters.

- (3) If a *Dealer Member* or an *Approved Person* places a temporary hold referred to in subsection 3222(1) or subsection 3222(2), the *Dealer Member* must do all of the following:
- (i) document the facts and reasons that caused the *Dealer Member* or *Approved Person* to place, and if applicable, to continue the *temporary hold*,
  - (ii) provide notice of the *temporary hold* and the reasons for the *temporary hold* to the client as soon as possible after placing the *temporary hold*,
  - (iii) review the relevant facts as soon as possible after placing the *temporary hold*, and on a reasonably frequent basis, to determine if continuing the hold is appropriate,
  - (iv) within 30 days of placing the *temporary hold* and, until the hold is revoked, within every subsequent 30-day period, do either of the following:
    - (a) revoke the *temporary hold*,
    - (b) provide the client with notice of the *Dealer Member's* decision to continue the hold and the reasons for that decision.

**3223. – 3229. Reserved.**

## **PART C – ADVISORY ACCOUNTS**

### **3230. Rules applicable to advisory accounts**

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens an *advisory account* for a *retail client* must comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens an *advisory account* for an *institutional client* must:
  - (i) comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200, ~~with the exception of~~[except for](#) sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.

**3231. – 3239. Reserved.**

## **PART D – ORDER EXECUTION ONLY ACCOUNTS**

### **3240. Rules applicable to order execution only accounts**

- (1) For the purposes of Rule 3200, ~~a~~[an Investment](#) *Dealer Member* that opens an *order execution only account* for a *retail client* must comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200.
- (2) For the purposes of Rule 3200, ~~a~~[an Investment](#) *Dealer Member* that opens an *order execution only account* for an *institutional client* must:
  - (i) comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200, ~~with the exception of~~[except for](#) sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.



**3241. Order execution only account services**

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

and
  - (ii) obtain a positive acknowledgement from the client, and each beneficial owner of the account, confirming that the client, and each beneficial owner, has received and understood the disclosures described in clause 3241(3)(i).
- (4) The Investment Dealer Member must maintain, in an accessible form, a record of the acknowledgement obtained under clause 3241(3)(ii) in the following form:



- (i) the client's signature or initials on a new client form or other document, specifically related to the disclosure and acknowledgement,
  - (ii) an electronic acknowledgement attached to the disclosure and acknowledgement text, or
  - (iii) a tape recording of a verbal acknowledgement.
- (5) The Investment Dealer Member must ensure that a client identifier is assigned to each client that trades on a *Marketplace* for which the *Corporation* is the regulation services provider whose trading activity on *Marketplaces* for which the *Corporation* is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month.
- (6) The Investment Dealer Member must ensure that a unique identifier is assigned to any *adviser* that trades on a *Marketplace* for which the *Corporation* is the regulation services provider and that:
- (i) is itself a *client* of the Investment Dealer Member, or
  - (ii) has been granted trading authority, direction or control over an account of a *client* of the Investment Dealer Member.
- (7) The Investment Dealer Member must ensure that a unique identifier is assigned to any *foreign adviser equivalent* that trades on a *Marketplace* for which the *Corporation* is the regulation services provider and that:
- (i) is itself a *client* of the Investment Dealer Member, or
  - (ii) has been granted trading authority, direction or control over an account of a *client* of the Investment Dealer Member.
- (8) The client identifier required in subsection 3241(5), clause 3241(6)(i) and clause 3241(7)(i) must be in the form of:
- (i) a *Legal Entity Identifier* for clients eligible to receive a *Legal Entity Identifier* under the standards set by the *Global Legal Entity Identifier System*, or
  - (ii) an account number for all other client orders not included under subsection 3241(5), clause 3241(6)(i) and clause 3241(7)(i).
- (9) If an account number is used as the client identifier under clause 3241(8)(ii), the Investment Dealer Member must provide the account number and the name of the corresponding client to the *Corporation*.
- (10) The Investment Dealer Member must provide each unique identifier assigned pursuant to clause 3241(6)(ii) and clause 3241(7)(ii) and the name of the corresponding firm to the *Corporation*.
- (11) For clients using an *order execution only account* that are not referred to under subsection 3241(5), clause 3241(6)(i), or clause 3241(7)(i), the Investment Dealer Member must use an account number as the client identifier.
- (12) The Investment Dealer Member must ensure that each order in a listed security entered on a *Marketplace* for which the *Corporation* is the regulation services provider contains:
- (i) the *Legal Entity Identifier* of the Investment Dealer Member if it is a non-executing Investment Dealer Member that is not a *Participant*, and

- (ii) a designation to indicate the order is for an *order execution only account*.
- (13) The Investment Dealer Member must ensure that each order in a *listed security* entered on a *Marketplace* for which the *Corporation* is the regulation services provider contains either:
  - (i) the identifier required under subsection 3241(5), clause 3241(6)(i), clause 3241(7)(i) or subsection 3241(11), or
  - (ii) a designation to indicate the order is a *bundled order* or a *multiple client order*.
- (14) The Investment Dealer Member must ensure that each order entered on a *Marketplace* for which the *Corporation* is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to clause 3241(6)(i) or clause 3241(7)(i) contains the unique identifier assigned to that firm.
- (15) The Investment Dealer Member must ensure that each order entered on a *Marketplace* for which the *Corporation* is the regulation services provider by or on behalf of an account over which an *adviser* or *foreign adviser equivalent* has been granted trading authority, direction or control and an identifier was assigned pursuant to clause 3241(6)(ii) or clause 3241(7)(ii) contains the identifier assigned to that firm.
- (16) Despite the requirement to include a client identifier assigned under subsection 3241(5) on an order sent to a *Marketplace*:
  - (i) if an *adviser* is assigned a unique identifier pursuant to clause 3241(6)(ii), each order entered by or on behalf of an account, over which that *adviser* has been granted trading authority, direction or control, on a *Marketplace* for which the *Corporation* is the regulation services provider must contain the unique identifier assigned to that *adviser*, or
  - (ii) if a *foreign adviser equivalent* is assigned a unique identifier pursuant to clause 3241(7)(ii), each order entered by or on behalf of an account over which that *foreign adviser equivalent* has been granted trading authority, direction or control, on a *Marketplace* for which the *Corporation* is the regulation services provider must contain the unique identifier assigned to that *foreign adviser equivalent*.
- (17) The non-executing Investment Dealer Member that is not a *Participant* must ensure that the registration status of its *Legal Entity Identifier* has not lapsed.
- (18) ~~A~~ An Investment Dealer Member approved by the *Corporation* to provide *order execution only account* services within either a separate legal entity or a separate business unit, must ensure that:
  - (i) its order-entry systems and records are capable of labeling all account documentation, including monthly statements and confirmations, as “order execution only accounts” or other similar phrase, and
  - (ii) the client monthly statements of its *order execution only account* services are not consolidated with any other client account statements, including those of any other business unit of the Investment Dealer Member or of the Investment Dealer Member itself.

3242. – 3244. Reserved.

## PART E – MARGIN ACCOUNTS

### 3245. Rules applicable to margin accounts

- (1) For the purposes of Rule 3200, a *Dealer Member* that opens a margin account for a *retail client* must comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200.
- (2) For the purposes of Rule 3200, a *Dealer Member* that opens a margin account for an *institutional client* must:
  - (i) comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200, ~~with the exception of~~ except for sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.

### 3246. Margin requirements - when to extend margin to clients

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

### 3247. Margin account agreement

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

- (ix) the *Dealer Member's* obligation to carry out all transactions in accordance with *Corporation requirements* and, where applicable, the requirements of the marketplace on which the transaction has been executed.

3248. – 3249. Reserved.

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

### TRADING ACCOUNTS

#### 3250. Rules applicable to derivatives accounts

- (1) For the purposes of Rule 3200, ~~a~~An Investment *Dealer Member* that opens a *derivatives* account for a *retail client* must comply with the requirements in Parts A, B and F of Rule 3200, and if applicable, Parts C, D, E and G of Rule 3200.
- (2) For the purposes of Rule 3200, ~~a~~An Investment *Dealer Member* that opens a *derivatives* account for an *institutional client* must:
  - (i) comply with the requirements in Parts A, B and F of Rule 3200, and if applicable, Parts C, D, E and G of Rule 3200, ~~with the exception of~~except for sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.
- (3) ~~A~~An Investment *Dealer Member* must ensure that *persons* trading on its behalf or advising clients in *derivatives* accounts meet minimum proficiency requirements.

### OPTIONS ACCOUNTS

#### 3251. ~~Additional requirements when opening~~Accepting a derivatives account

- (1) ~~Before executing an initial~~To accept *derivatives transaction in an account, whether the account is an advisory account, a discretionary account, a managed account or an order execution only account, aaccounts:
  - (i) the Investment Dealer Member must:
    - ~~(i) obtain a completed derivatives account application from the client,~~
    - (ii) ~~obtain a completed and signed~~the Investment Dealer Member must enter into a derivatives trading agreement fromwith the client prior to:
      - (a) accepting the account as a derivatives account,
      - and
      - (b) executing an initial derivatives transaction in the account.
  - (iii) the Investment Dealer Member must provide the client with the most recent *derivatives* disclosure statement or similar disclosure document, ~~and~~
  - ~~(iv) record the relevant designated Supervisors' approval in writing.~~*
- (2) ~~The relevant designated Supervisors must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and financial circumstances, investment needs and objectives, investment~~

~~knowledge, risk profile, investment time horizon and puts the client's interest first. If they are not, the designated Supervisors should restrict the account from using inappropriate strategies and note on the derivatives account approval any trading restrictions imposed and communicate those restrictions to the Registered Representative, Portfolio Manager or Associate Portfolio Manager assigned to the account.~~

### 3252. Derivatives trading agreement

- (1) ~~A~~An Investment Dealer Member's derivatives trading agreement must define the rights and obligations of the Dealer Member and the client and, at a minimum, must include the following:
  - (i) the time periods during which the Dealer Member accepts orders for execution,
  - (ii) the Investment Dealer Member's right to:
    - (a) exercise discretion in accepting orders,
    - (b) impose trading or position limits or closeout positions under specified conditions,
  - (iii) the extent of the Investment Dealer Member's right to:
    - (a) use client *free credit balances* within its own business or to finance other client account debits,
    - (b) use client account assets as collateral for the clients' debit and position obligations,
    - (c) raise money on and pledge assets held in the client's account,
  - (iv) the conditions under which the Investment Dealer Member may apply the client's funds, ~~securities~~investment product positions or other property in the account or any other accounts of the client to satisfy outstanding debts or margin calls,
  - (v) the Investment Dealer Member's obligation to:
    - (a) if required under any *applicable laws* or requested to do so, provide information to regulators regarding position limit, exercise limit requirements and reporting *derivative* positions or *derivative* transactions related data,
    - (b) obtain client consent before the Investment Dealer Member may take the other side to the client's transaction, and document whether the client provides such consent,
    - (c) address situations when errors and omissions occur,
  - (vi) where discretionary authority is given to the Investment Dealer Member:
    - (a) disclosures explaining the discretionary authority that has been given,
    - (b) the client's acknowledgement that ~~is~~it has consented to the giving of the authority,

provided the authority given is consistent with the requirements contained within Part G of Rule 3200 and unless the authority is given through the execution of a separate agreement,
  - (vii) the client's cumulative loss limit subject to the conditions set out in subsection 3252(2),
  - (viii) the client's obligation to:

- (a) comply with *Corporation requirements* and the requirements of any entity through which the *derivative* is traded, cleared, or issued, including, without limitation, reporting, position limit and exercise limit requirements,
    - (b) maintain adequate margin collateral and to pay any debts owed to the *Investment Dealer Member*,
    - (c) pay commission or other compensation, if any,
    - (d) pay interest, if any, on account debit balances,
  - (ix) the *retail client*'s acknowledgement of:
    - (a) receiving the most recent *derivatives* risk disclosure statement,
    - (b) their obligation to inform and update the Dealer Member of any circumstances under which they would be considered to be an insider of a reporting issuer or any other issuer whose *securities* are publicly traded,
  - (x) any other matter required by a *derivatives* trading, clearing or issuing entity,
  - (xi) for options, futures contract options and similar *derivatives*:
    - (a) the *Investment Dealer Member*'s deadlines for a client to submit an exercise notice,
    - (b) the method the *Investment Dealer Member* will use to distribute assignment notices,
    - (c) disclosures indicating that:
      - (I) the *Investment Dealer Member* may set maximum limits on short positions,
      - (II) the *Investment Dealer Member* may apply cash-only terms during the last 10 days before expiry, and
      - (III) the *Corporation* may impose other rules affecting existing or subsequent transactions,
    - (d) the client's obligation to instruct the *Investment Dealer Member* to close out positions before expiry,
  - (xii) for futures contracts, forward contracts, contracts for difference and similar *derivatives*, disclosures indicating that the *Investment Dealer Member* requires the client to maintain minimum margin that is the greater of:
    - (a) the amount the *derivatives marketplace* or clearing house prescribes,
    - (b) *Corporation's requirements*, or,
    - (c) the *Investment Dealer Member*'s requirements.
- (2) The client's cumulative loss limit under clause 3252(1)(vii),
- (i) applies to an account, where the transactions involve futures contracts, forward contracts, contracts for difference, futures contract options or similar *derivatives*, or highly-leveraged *securities* or *derivatives*,
  - (ii) applies to an account, other than a hedging account, whether the account is an *advisory account*, a *discretionary account*, a *managed account* or an *order execution only account*, and
  - (iii) must, notwithstanding obligations under Rule 3400, be determined on

- (a) a lifetime basis and validated with the client on an annual basis, or
- (b) an annual basis and updated annually.

### 3253. Letter of undertaking

- (1) Instead of a *derivatives* trading agreement, ~~a~~An Investment Dealer Member may obtain a letter of undertaking for accounts where the client is classified as an institutional client.
- (2) The letter of undertaking must state:
  - (i) that the client agrees to comply with *Corporation requirements*, any *applicable laws*, and the requirements of any entity through which the *derivative* is traded, cleared, or issued, including, without limitation, position limit, and exercise limit requirements and reporting *derivative* positions or *derivative* transactions related data, and
  - (ii) if the client has an account that is charged interest on a debit balance, the conditions under which transfers of the client's funds, ~~securities~~investment product positions or other property may be made between accounts, unless these conditions are acknowledged by the client in another document.

### 3254. Derivatives risk disclosure statement

- (1) ~~A~~An Investment Dealer Member must:
  - (i) provide each *derivatives retail client* with the most recent *derivatives* risk disclosure statement or other similar document, approved by *Corporation* before accepting an initial *derivatives* order from the client,
  - (ii) obtain the client's acknowledgement of receipt of the statement or document provided under clause 3254(1)(i),
  - (iii) provide each *derivatives retail client* with any amendments to the statement or document provided under clause 3254(1)(i),
  - (iv) maintain a record of the names and addresses of all clients to whom it has provided the statement, or similar document under clause 3254(1)(i) and any amendments under clause 3254(1)(iii) and the dates on which they were provided, and
  - (v) include with the risk disclosure statement or other similar document, for each *order execution only account* offering *over-the-counter derivatives* to *retail clients*, a disclosure of the percentage of such accounts that were profitable for each of the four most recent quarters.

### 3255. Position and exercise limits

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



**3256. Futures porting disclosures**

- (1) Where the client account is subject to a *futures segregation and portability customer protection regime*, ~~an~~ Investment Dealer Member must:
- (i) provide the client with a porting disclosure document on the benefits, risks and requirements for porting, including the conditions for porting positions to a replacement clearing member,
  - (ii) obtain the client's acknowledgement that the client has received and understood the porting disclosure document or similar document described in clause 3256(1)(i), and
  - (iii) notify the client of the obligation of the Investment Dealer Member to provide the clearing corporation with information and reports related to the client's positions.

**3257. – 3269. Reserved.**

**PART G – DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS****3270. Definitions**

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

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

**3271. Rules applicable to discretionary accounts and managed accounts**

- (1) For the purposes of Rule 3200, ~~an~~ Investment Dealer Member that accepts a *discretionary account* or a *managed account* for a *retail client* must comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200.
- (2) For the purposes of Rule 3200, ~~an~~ Investment Dealer Member that opens a *discretionary account* or a *managed account* for an *institutional client* must:
- (i) comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200, ~~with the exception of~~ except for sections 3216 through 3219, and
  - (ii) ensure the sub-account files of an *institutional client* refer to the documentation contained in the master file to which it is related.
- (3) The Investment Dealer Member must ensure that *individuals* trading or advising on its behalf, in *discretionary accounts* or *managed accounts*, meet the applicable proficiency requirements.

**3272. Reserved.**



## DISCRETIONARY ACCOUNTS

## 3273. Accepting a discretionary account

- (1) To accept *discretionary accounts*:
  - (i) the Investment Dealer Member must ~~designate one or more designated Supervisors, who meet the proficiency requirements set out in Rule 2600, to be responsible for the~~obtain a completed discretionary ~~accounts~~account application from the client,
  - (ii) the ~~Dealer Member's policies and procedures must specifically address the supervision and operation of discretionary accounts in accordance with Rule 3900,~~
  - ~~(iii) the Dealer Member must identify discretionary accounts in its books and records to allow supervision of the discretionary accounts in accordance with Rule 3900,~~
  - ~~(iv) the~~Investment Dealer Member must enter into a discretionary account agreement with the client prior to :
    - (a) accepting the account as a discretionary account;
    - ~~(v) the designated Supervisor must approve the account as a discretionary account and approve the discretionary account agreement signed by the client, and~~
    - ~~(vi) the Dealer Member must maintain a record of the designated Supervisor's approval in accordance with the record retention requirements in section 3803~~
  - (b) engaging in trading in the account.

## 3274. Discretionary account agreement

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

## 3275. Persons authorized to affect discretionary trades

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

- (ii) the *discretionary account* is maintained at the Investment Dealer Member on whose behalf the *Registered Representative*, conducts business.

### 3276. Conflicts of interest

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

### MANAGED ACCOUNTS

#### 3277. ~~Opening~~Accepting a managed account

- (1) To accept *managed accounts*:
  - (i) the Investment Dealer Member must ~~designate a Supervisor to be responsible for obtain a completed~~ managed accounts account application from the client,
  - ~~(ii) the Dealer Member's policies and procedures must specifically address the supervision and operation of managed accounts in accordance with Corporation requirements;~~
  - ~~(iii) the~~
  - (ii) the Investment Dealer Member must enter into a *managed account* agreement with the client prior to ~~opening a managed~~:
    - (a) accepting the account;
    - ~~(iv) the designated Supervisor must approve each as a~~ managed account in writing;
    - ~~(v) the Dealer Member must retain a record of the designated Supervisor's approval,~~
    - and
    - ~~(vi) the~~ engaging in trading in the account.
  - (iii) the Investment Dealer Member must provide the client with a copy of its policy ensuring fair allocation of investment opportunities.

**3278. Managed account agreement**

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

**3279. Persons authorized to deal with managed accounts**

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

**3280. Conflicts of interest**

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

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

### 3281. Fees and remuneration

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

### 3282. ~~—~~3299. Reserved.

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

---

**3301. Product Due Diligence**

- (1) A Dealer Member must not make ~~securities or derivatives~~investment products available to clients unless the Dealer Member has taken reasonable steps to:
  - (i) assess the relevant aspects of the ~~securities or derivatives~~investment products, including ~~the securities' or derivatives'~~their structure, features, risks, initial and ongoing costs and the impact of those costs,
  - (ii) approve the ~~securities or derivatives~~investment products to be made available to clients, and
  - (iii) monitor the ~~securities or derivatives~~investment products for significant changes.
- (2) An Approved Person must not purchase ~~securities or derivatives~~investment products for, or recommend ~~securities or derivatives~~investment products to, a client unless ~~the securities or derivatives~~they have been approved by the Dealer Member to be made available to clients under subsection 3301(1).

**3302. Know-Your-Product**

- (1) An Approved Person of a Dealer Member must not transact in or purchase or sell ~~securities or transact in derivatives~~investment products for, or recommend ~~securities or derivatives~~investment products to, a client unless the Approved Person takes steps to understand the ~~securities or derivatives~~investment products, including ~~the securities' or derivatives'~~their structure, features, risks, initial and ongoing costs and the impact of those costs.
- (2) For purposes of subsection 3302(1), the steps required to understand the ~~securities or derivatives~~investment products are those that are reasonable to enable the Approved Person to meet their obligations under Rule 3400.

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

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

**3304. - 3399. Reserved.**

## RULE 3400 | SUITABILITY DETERMINATION

---

### 3401. Introduction

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

### 3402. Retail client suitability determination requirements

- (1) Before a *Dealer Member*:
  - (i) transacts in, purchases, sells, withdraws, exchanges or transfers-out ~~securities or precious metals bullion, or transacts in derivatives~~ investment products for a retail client's account,
  - (ii) takes any other investment action for a client, or
  - (iii) makes a recommendation or exercises discretion to take any such action,
 the *Dealer Member* must determine, on a reasonable basis, that the action satisfies the following criteria:
  - (iiv) the action is suitable for the *retail client*, based on the following factors:
    - (a) the *retail client's* information collected in accordance with section 3202,
    - (b) the *Dealer Member's* assessment of and an *Approved Person's* understanding of the ~~security, derivative or precious metals bullion~~ investment product, required in accordance with Rule 3300,
    - (c) the impact of the action on the *retail client's* account, including the concentration of ~~securities, derivatives or precious metals bullion~~ investment products, within the account and ~~the~~ their liquidity ~~of those — securities, derivatives or precious metals bullion~~,
    - (d) the potential and actual impact of costs on the *retail client's* returns, and
    - (e) a consideration of a reasonable range of alternative actions available to the *Registered Representative, Portfolio Manager, or Associate Portfolio Manager* as applicable, through the *Dealer Member* at the time the determination is made, and
  - (iiiv) the action puts the *retail client's* interest first.
- (2) A *Dealer Member* must review the *retail client's* account and the ~~securities, derivatives or precious metals bullion~~ investment products in the *retail client's* account to determine whether the criteria in subsection 3402(1) are met, and take reasonable steps, within a reasonable time, after any of the following events:
  - (i) ~~securities, derivatives or precious metals bullion~~ investment product positions are received or delivered into the client's account by way of deposit or transfer-in,
  - (ii) ~~there is a change in the~~ Registered Representative, Portfolio Manager or Associate Portfolio Manager ~~is~~ designated as responsible for the account,
  - (iii) the *Dealer Member* becomes aware of a change in the *retail client's* information collected in accordance with subsection 3202(1) that could result in ~~a security, derivative or precious metals bullion~~ an investment product position, or the *retail client's* account not satisfying subsection 3402(1),

- (iv) the *Dealer Member* becomes aware of a change in ~~a security, derivative or precious metals bullion~~, an investment product position in the *retail client's* account that could result in the ~~security, derivative or precious metals bullion~~ investment product position, or account not satisfying subsection 3402(1), or
  - (v) the *Dealer Member* reviews the *retail client's* information in accordance with subsection 3209(4).
- (3) ~~A Dealer Member must determine, on a reasonable basis and putting the retail client's interest first, that:~~
- ~~(i) it is suitable for the retail client to continue having an account with the Dealer Member, and~~
  - ~~(ii) the scope of products, services and account relationships which the retail client has access to within the account are suitable for the retail client.~~
- (4) When making a suitability determination pursuant to subsection 3402(1), a *Dealer Member* must determine, on a reasonable basis, that the *retail client's* account portfolio of investments that would result from the investment action the *Dealer Member* takes, recommends or exercises discretion to take is suitable for the *retail client* and puts the *retail client's* interest first.
- (5) ~~Despite~~ if after performing a suitability determination pursuant to subsection 3402(1), ~~if~~ a *Dealer Member* receives an instruction from a *retail client* to take an action that, if taken, does not satisfy ~~subsections~~ subsection 3402(1), the *Dealer Member* may carry out the *retail client's* instruction if the *Dealer Member* has:
- (i) informed the *retail client* of the basis for the determination that the action will not satisfy subsection 3402(1) and advised the client against proceeding with the order,
  - (ii) recommended to the *retail client* an alternative action that satisfies subsection 3402(1), and
  - (iii) received recorded confirmation of the *retail client's* instruction to proceed with the action despite the determination referred to in clause ~~3402(5)~~ 3402(4)(i).
- (5) If after performing a suitability determination pursuant to subsection 3402(1) a Dealer Member has determined that an action taken for a retail client does not satisfy subsection 3402(1), the Dealer Member must:
- (i) advise the retail client,
  - (ii) make recommendations to address any inconsistencies, and
  - (iii) maintain evidence of such recommendations.
- (6) A Dealer Member must have policies and procedures to assess the appropriateness of a retail client's leverage strategies and set out the process of approval of such strategies, and related documentation requirements.
- (7) The policies and procedures established by the Dealer Member under subsection 3402(6) must be effective in detecting and preventing leverage strategies that are unsuitable.
- (8) A Dealer Member must determine, on a reasonable basis and putting the retail client's interest first, that:



- (i) it is suitable for the *retail client* to continue having an account with the *Dealer Member*, and
- (ii) the scope of products, services and account relationships which the *retail client* has access to within the account are suitable for the *retail client*.

### 3403. Institutional client suitability determination requirements

- (1) Subject to the applicable exemptions set out in section 3404, a suitability determination must be made for an *institutional client*:
  - (i) before any order is accepted from the client, and
  - (ii) before a recommendation is made to the client to transact in or to purchase, sell, exchange or hold ~~a security or precious metals bullion, or transact in any derivative~~ another investment product.
- (2) When a suitability determination must be made for an *institutional client* pursuant to subsection 3403(1), a *Dealer Member* must make a determination whether the client is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed to that *institutional client*. In making a determination whether a client is capable of independently evaluating investment risk and is exercising independent judgment, relevant considerations include:
  - (i) any written or oral understanding that exists between a *Dealer Member* and its client regarding the client's reliance on the *Dealer Member*,
  - (ii) the presence or absence of a pattern of acceptance of the *Dealer Member's* recommendations,
  - (iii) the use by a client of ideas, suggestions, market views and information obtained from other *Dealer Members*, market professionals or issuers particularly those relating to the same type of ~~securities, derivatives or precious metals bullion~~ investment product,
  - (iv) the use of one or more investment dealers, portfolio managers or other third-party advisors,
  - (v) the general level of experience of the client in financial markets,
  - (vi) the specific experience of the client with the type of ~~instrument~~ investment product under consideration, including the client's ability to independently evaluate how market developments would affect the ~~security, derivative or precious metals bullion~~ investment product and ancillary risks such as currency rate risk, and
  - (vii) the complexity of the ~~securities, derivatives or precious metals bullion~~ investment product involved.
- (3) Once each suitability determination has been made and:
  - (i) the *Dealer Member* has reasonable grounds for concluding that the *institutional client* is capable of making an independent investment decision and independently evaluating the investment risk, then the *Dealer Member's* suitability obligation is fulfilled for that transaction, or
  - (ii) the *Dealer Member* does not have reasonable grounds for concluding that the *institutional client* is capable of making an independent investment decision and independently evaluating the investment risk, then the *Dealer Member* must take



steps to ensure that the *institutional client* fully understands the *investment product*, including the potential risks.

- (4) A *Dealer Member* must determine, on a reasonable basis and putting the *institutional client's* interest first, that:
  - (i) it is suitable for the *institutional client* to continue having an account with the *Dealer Member*, and
  - (ii) the scope of products, services and account relationships which the *institutional client* has access to within the account are suitable for the *institutional client*.

**3404. Exemptions from the suitability determination requirements**

- (1) Other than clauses 3402(3)(i) and 3403(4)(i), sections 3402 or 3403 do not apply in respect to:
  - (i) an *order execution only account*, or
  - (ii) a *direct electronic access account*.
- (2) Sections 3402 and 3403 do not apply in respect to an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member*, portfolio manager, exempt market dealer or their respective clients, for that account.
- (3) Other than subsection 3403(4), section 3403 does not apply in respect to:
  - (i) an account held by a *Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company*, or
  - (ii) an account held by a non-individual *institutional client* that:
    - (a) is also a “permitted client”, as defined in National Instrument 31-103,
    - (b) is not a client described in clause 3404(3)(i), and
    - (c) has waived, in writing, the protections offered to them under subsections 3403(1) and 3403(2).
- (4) Subsection 3403(4) does not apply to an account held by an *institutional client* who is a *Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company*.

**3405. Reserved.**

**3406. Primary responsibility and delegation**

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

**3407 - 3499. Reserved.**

## RULE 3500 | SALES PRACTICES

### 3501. Introduction

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

### 3502. Definitions

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

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

### 3503. Client priority

- (1) A *Dealer Member* must give priority to client orders or transactions over all other orders or transactions for the same ~~security, derivative or precious metals bullion~~investment product at the same price.
- (2) The *Dealer Member* must not give priority to orders or transactions for an account in which the *Dealer Member* or an *employee* or *Approved Person* of the *Dealer Member* has a direct or indirect interest, other than an interest in the commission charged.
- (3) Where investment decisions are made centrally and applied across a number of *managed accounts*, subsections 3503(1) and 3503(2) do not apply to the *managed accounts* of partners, *Directors*, *officers*, *employees* or *Approved Persons* of a *Dealer Member* who participate in a *managed account* program on the same basis as client accounts.

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

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

- (3) A Dealer Member must disclose to clients whether interest will be paid on client cash held in trust and the rate. Notwithstanding this requirement, the Dealer Member may retain the interest earned in excess of the amount of interest payable to the client. The Dealer Member may only revise the rate of interest upon the delivery of at least 60 days written notice to the client.
- (4) The requirements set out in subsections 3504(1) and (2) do not apply to accounts of *institutional clients*.
- (45) The disclosure requirements set out in subsections 3504(1) and (2) do not apply to interest charged by a *Dealer Member* in respect of an account.
- (56) A *Dealer Member* may not charge a client a fee that is contingent upon the profit or performance of the client's account, unless specifically permitted under *Corporation requirements*.

### 3505. Payment of commission fees

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

### 3506. During the period of distribution

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

### 3507. New issues

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

**3508. Inside information**

- (1) For the purpose of section 3508 “material non-public information” means material facts or material changes not generally disclosed as defined under *securities laws*.
- (2) A *Director, Executive* or *employee* of a *Dealer Member* acting as a director to a reporting issuer is a person in a special relationship with the reporting issuer and must not disclose any *material non-public information* about the reporting issuer to anyone including any *Directors, Executives, employees* or clients, or research or trading departments of the *Dealer Member* unless in the necessary course of business.
- (3) A representative of a *Dealer Member* acting in an underwriting or *advisory capacity* to a reporting issuer is a person in a special relationship with the reporting issuer and must not disclose any *material non-public information* about the reporting issuer to anyone including any *Directors, Executives, employees* or clients, or research or trading departments of the *Dealer Member* unless in the necessary course of business.
- (4) When a *Dealer Member, Director, Executive* or *employee* of a *Dealer Member* has *material non-public information* about the issuer and discloses it to other personnel of the *Dealer Member* in the necessary course of business, those persons also become persons in a special relationship with the reporting issuer and must not disclose any *material non-public information* about the reporting issuer to anyone including any *Directors, Executives, employees* or clients, or research or trading departments of the *Dealer Member* unless in the necessary course of business.
- (5) A *Dealer Member’s* policies and procedures must specifically address maintaining the confidentiality of *material non-public information*.

**3509. Premarketing**

- (1) In subsections 3509(2), 3509(4) and 3509(5), an “informed person” refers to any *employee* or *Approved Person* of [an Investment Dealer Member](#) who:
  - (i) participated in or had actual knowledge of the *distribution discussions*, or
  - (ii) acts on information provided by or is directed by, induced by, or otherwise receives suggestions from a *person* who directly or indirectly participated in or had actual knowledge of the *distribution discussions*.
- (2) An *informed person* must not solicit expressions of interest from the public, in the type of securities subject to *distribution discussions*, from the *commencement of distribution discussions* until the earliest of:
  - (i) the issuance of a receipt for the preliminary prospectus,
  - (ii) a press release issued and filed in accordance with *applicable laws*, announcing the signing of an enforceable agreement in respect of the potential *distribution*, and
  - (iii) the [Investment Dealer Member](#) deciding not to pursue the potential *distribution*.
- (3) For the purpose of clause 3509(2)(ii), a press release will be deemed to have been issued when it is released to a news distribution service for distribution and will be deemed to have

been filed when delivered or sent to the relevant provincial *securities regulatory authority*, in accordance with *securities laws*.

- (4) An *informed person* must not engage, direct, suggest or induce another *informed person* to engage in market making or other principal trading activities in securities that are the subject of *distribution discussions*.
- (5) Where ~~a~~An Investment Dealer Member and issuer or selling security-holder can show a bona fide intention to distribute the *equity securities* pursuant to a prospectus exemption:
  - (i) the Investment Dealer Member including the *informed person* will not be subject to the restrictions in subsection 3509(2),
  - (ii) notwithstanding clause 3509(5)(i), the restrictions in subsection 3509(2) will apply from the time it is reasonable to expect that a decision to abandon an exempt offering of *equity securities* in favor of a prospectus offering will be taken.
- (6) ~~A~~An Investment Dealer Member involved in a *distribution* as an underwriter must:
  - (i) maintain policies and procedures that specifically address compliance with the obligations under section 3509, and
  - (ii) monitor the Investment Dealer Member, its *employees* and *Approved Persons* compliance with these policies and procedures.

**3510. - 3599. Reserved.**

## RULE 3600 | COMMUNICATIONS WITH THE PUBLIC

---

### 3601. Introduction

- (1) A *Dealer Member*'s policies and procedures must specifically address communication with the public and the *Dealer Member* must monitor compliance with these policies and procedures to provide reasonable assurance the *Dealer Member*, its *employees* and *Approved Persons* comply with the policies and procedures.
- (2) Rule 3600 is divided into the following parts:
  - Part A – Advertisements, sales ~~literature~~communications and ~~correspondence~~client communications  
[section 3602]
  - Part B – Research reports  
[sections 3606 through 3623]
  - Part C – Misleading Communications  
[section 3640]

### PART A – ADVERTISEMENTS, SALES ~~LITERATURE~~COMMUNICATIONS AND ~~CORRESPONDENCE~~CLIENT COMMUNICATIONS

### 3602. Advertising

- (1) A *Dealer Member* must not issue, participate in or knowingly allow the use of its name in any advertisement, sales ~~literature or correspondence~~communication or client communication that:
  - (i) contains an untrue statement or omission of a material fact or is otherwise false or misleading,
  - (ii) uses an image such as a photograph, sketch, logo or graph which conveys a misleading impression;
  - (iii) contains an unjustified promise of specific results,
  - (iv) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions,
  - (v) contains any opinion or forecast of future events which is not clearly labeled as such,
  - (vi) fails to fairly present the potential risks to the client,
  - (vii) is detrimental to the interests of the public, the *Corporation* or its *Dealer Members*, or
  - (viii) fails to comply with *Corporation requirements* or any applicable laws.
- (2) A *Dealer Member*'s policies and procedures must specifically address the review and supervision of advertisements, sales ~~literature~~communications and ~~correspondence~~client communications relating to its business.
- (3) A *Dealer Member* must ensure that the following items are approved by a ~~designated~~ *Supervisor* before use or publication:
  - (i) *research reports*,
  - (ii) *market letters*,

- (iii) telemarketing scripts,
  - (iv) promotional seminar texts (excluding educational seminar texts),
  - (v) original *advertisements* or original template *advertisements*, and
  - (vi) any material containing performance reports or summaries that is used to solicit clients.
- (4) A Dealer Member must ensure that all ~~advertising~~*advertisements*, sales ~~literature or correspondence~~*communications or client communications* not listed in subsection 3602(3) ~~is~~*are* reviewed in a manner appropriate to the type of material through:
- (i) pre-use approval,
  - (ii) post-use review, or
  - (iii) post-use sampling.
- (5) A Dealer Member must provide reasonable assurance:
- (i) its *employees* and *Approved Persons* are familiar with its policies and procedures relating to *advertisements*, sales ~~literature~~*communications* and ~~correspondence~~*client communications*, and
  - (ii) its policies and procedures include specific ongoing measures to provide reasonable assurance its policies and procedures are being complied with.
- (6) A Dealer Member must retain copies of all *advertisements*, sales ~~literature~~*communications* and ~~correspondence~~*client communications* and all records of supervision for the period set out in section 3803. These items must be readily available for inspection by the Corporation.

~~3603.~~ — ~~3604.~~ **3605. Reserved.**

## PART B – RESEARCH REPORTS

### 3606. Definitions

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

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

### 3607. Policies and procedures and minimum disclosure

- (1) ~~A~~An *Investment Dealer Member’s* policies and procedures must specifically address:

- (i) the conduct of *analysts*,
  - (ii) the publishing of *research reports*, and
  - (iii) the making of recommendations by *analysts*.
- (2) ~~A~~An Investment Dealer Member must designate one or more Supervisors to be responsible for reviewing and approving *research reports*.

**3608. Research report disclosure of potential conflicts of interest**

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

**3609. Additional disclosures**

- (1) A *research report* must disclose or indicate where the following information is otherwise available:
  - (i) the Investment Dealer Member's system for rating investment opportunities and how each recommendation fits within the system, and



- (ii) the Investment Dealer Member's policies and procedures that specifically address the dissemination of its *research reports*.
- (2) An Investment Dealer Member must, on a quarterly basis, disclose the percentage of its recommendations that fall into each category of its recommendation system.

### 3610. Quality of disclosures in a research report

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

### 3611. Independent third party research report

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

### 3612. Directing the reader to disclosures

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

### 3613. Visiting an issuer

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

**3614. Relationship with the issuer**

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

**3615. Notice to discontinue coverage**

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

**3616. Setting price targets**

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

**3617. Prohibited inducements**

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

**3618. Public comments**

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

**3619. Policies and procedures on trading**

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

related to the subject security that could reasonably be expected to ~~have an effect on~~influence the price of the subject securities.

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

#### 3620. Prohibition on investment banking compensation

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

#### 3621. Relationship with investment banking

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

#### 3622. Quiet periods

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

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

**3623. Outside activities**

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

**3624. – 3639. Reserved.**

**PART C – MISLEADING COMMUNICATIONS**

**3640. Misleading communications**

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

**3641. – 3699. Reserved.**

[...]

## RULE 3900 | SUPERVISION

---

### 3901. Introduction

- (1) Rule 3900 sets out the *Dealer Member's* obligation to supervise its business and operations. The rule is divided into seven parts as follows:
  - Part A – General supervision requirements  
[sections 3904 through 3918]
  - Part B – Supervision of all accounts  
[sections 3925 through 3927]
  - Part C – Supervision of retail client accounts  
[sections 3945 through 3948]
  - Part D – Supervision of institutional client accounts  
[sections 3950 and 3951]
  - Part E – Supervision of order execution only accounts  
[section 3955]
  - Part F – Supervision of *derivatives* accounts  
[sections 3960 through 3964]
  - Part G – Supervision of discretionary accounts and managed accounts  
[sections 3970 through ~~3973~~3975]
- (2) Appropriate supervision of all aspects of a *Dealer Member's* business and operations is a fundamental responsibility of the *Dealer Member*. The *Dealer Member's* policies and procedures that specifically address its supervision system must remain up-to-date at all times, based on current *Corporation requirements* and *applicable laws*.
- (3) The *Dealer Member's* board of directors is responsible for ensuring that an appropriate supervision system is in place.

**3902. – 3903. Reserved.**

### PART A – GENERAL SUPERVISION REQUIREMENTS

#### 3904. Policies and procedures

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

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

### 3905. Supervisory personnel and resources

- (1) A *Dealer Member* must assign sufficient personnel and commit adequate resources necessary to fully and properly apply and enforce its policies and procedures.
- (2) A *Dealer Member* must appoint as many *Supervisors* and Executives as necessary to :
  - (i) properly supervise its *employees* and *Approved Persons* ~~taking into account the scope and complexity of the Dealer Member's business., and~~
  - ~~(3ii) A Dealer Member must designate as many Executives as necessary to ensure compliance with Corporation requirements, taking into account~~ considering the scope and complexity of the *Dealer Member's* business.
- ~~(43)~~ A *Dealer Member* must designate *Supervisors* and *Executives*, with the qualifications and authority necessary to fully carry out the responsibilities assigned to them.
- ~~(54)~~ A *Dealer Member* must take reasonable steps to ensure all ~~of~~ its *Supervisors* and *Executives* are fully proficient and understand the products that *employees* and *Approved Persons* under their supervision trade in or advise on, as well as the services these *employees* and *Approved Persons* provide, to the degree necessary to properly supervise those *employees* and *Approved Persons*.
- ~~(65)~~ A *Dealer Member* must have procedures in place that ensure that *Supervisors* are properly performing their supervisory functions.

**3906. Responsibilities of the Supervisor**

- (1) Each *Supervisor* must fully and properly supervise each *employee* and *Approved Person* under their authority in accordance with:
  - (i) the supervisory responsibilities assigned to the *Supervisor*,
  - (ii) the *Dealer Member's* policies and procedures, and
  - (iii) *Corporation requirements* and *securities laws*.

**3907. Delegation of supervisory tasks**

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

(7) The *Dealer Member* must:

- (i) inform the *Supervisor* of specific tasks or activities that have been automated pursuant to clause 1103(1)(ii).
- (ii) ensure the *Supervisor* understands how the automated tasks and activities work, and
- (iii) ensure proper performance of the related function in compliance with *Corporation requirements*.

**3908. Supervision records**

- (1) A *Dealer Member* must maintain a record of the names of *Supervisors*, their supervisory responsibilities and the date each *Supervisor* was designated.
- (2) A *Dealer Member* must have a system in place to record the review and approval, conducted by any *Supervisor* that is required under *Corporation requirements*.
- (3) A *Dealer Member* must maintain adequate *records* of supervisory activity, including on-site branch reviews, compliance issues identified and the resolution of such issues.

- (4) Where supervision records are kept at a branch office, the *Dealer Member* must conduct periodic on-site reviews of branch office supervision and record keeping.
- (5) The records set out in section 3908 must be kept for the period set out in section 3803.

**3909. Responsibilities of the Executive**

- (1) Each *Executive* must supervise and direct the activities of the *Dealer Member*, and its employees and *Approved Persons*, in accordance with the areas of its responsibility, to provide reasonable assurance of compliance with *Corporation requirements* and *securities laws*.

**3910. Responsibilities of the Ultimate Designated Person**

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

**3911. Reserved.**

**3912. Responsibilities of the Chief Compliance Officer**

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

**3913. Responsibilities of the Chief Financial Officer**

- (1) The *Chief Financial Officer* must:
  - (i) establish and maintain policies and procedures for the *Dealer Member* relating to financial *Corporation requirements*,



- (ii) monitor adherence to the *Dealer Member's* policies and procedures to provide reasonable assurance that the *Dealer Member* complies with the financial *Corporation requirements*,
- (iii) identify any breaches of approved capital usage limits and report them in accordance with section 4116; and
- (iv) report to the *Ultimate Designated Person* as soon as possible if there is any indication that the *Dealer Member* or any *individual* acting on its behalf may be in non-compliance with the financial requirements of the *Corporation* and:
  - (a) the non-compliance creates a reasonable risk of harm to a client,
  - (b) the non-compliance creates a reasonable risk of harm to the capital markets, or
  - (c) the non-compliance is part of a pattern of non-compliance.
- (2) The *Chief Financial Officer* must have access to the *Ultimate Designated Person* and the *Dealer Member's* board of directors as necessary to carry out their responsibilities.

**3914. Reserved.**

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

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

**3916. Governance document**

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

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

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

**3918. Supervision of shared office premises**

- (1) A *Dealer Member* must have policies and procedures that specifically address the supervision of *shared office premises*, as contemplated by ~~section~~[sections 2216 through 2219](#), to provide reasonable assurance:
  - (i) compliance with *Corporation requirements*, and
  - (ii) the client has a clear understanding of which entity they are dealing with.
- (2) A *Dealer Member* must have:
  - (i) adequate supervisory resources to implement its policies and procedures,
  - (ii) a system for communicating *Corporation requirements* relating to *employees* and *Approved Persons* at the *shared office premises*, and
  - (iii) a process providing reasonable assurance that *Corporation requirements* relating to *shared office premises* are understood and implemented.

**3919. – 3924. Reserved.**

**PART B – SUPERVISION OF ALL ACCOUNTS****3925. Supervision by designated persons**

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

**3926. Account supervision policies and procedures**

- (1) A *Dealer Member's* policies and procedures must specifically address account supervision, which includes its standards for the review and supervision of account activity.
- (2) A *Dealer Member's* policies and procedures must specifically address the *Dealer Member's* obligations to:

- (i) identify clients that present a high risk to the *Dealer Member*,
  - (ii) identify clients that present a high risk of conducting improper activities in the securities investment markets, and
  - (iii) comply with all anti-money laundering and terrorist financing requirements under *applicable laws*.
- (3) All policies and procedures relating to the supervision of accounts held at a *Dealer Member* and any substantive amendments to such policies and procedures, must be approved by the *Dealer Member's Chief Compliance Officer* or another appropriate *Executive*.
  - (4) A *Dealer Member* must provide all supervisory staff with written:
    - (i) procedures to be followed in reviewing account activity, and
    - (ii) confirmation of the *Dealer Member's* expectations of supervisory staff, with respect to their supervisory roles and responsibilities.
  - (5) A *Dealer Member's* policies and procedures must include controls for accessing and amending client *records*.
  - (6) A *Dealer Member* must periodically review the policies and procedures used at its head office and its branch-offices business locations to provide reasonable assurance the policies and procedures continue to be effective and reflect current legislative and regulatory requirements, as well as industry practices.

#### **3927. Reviews of account activity**

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

#### **3928. – 3944. Reserved.**

### **PART C – SUPERVISION OF RETAIL CLIENT ACCOUNTS**

#### **3945. Daily and monthly trade supervision**

- (1) A *Dealer Member* that has *retail client* accounts must have policies and procedures that specifically address daily and monthly supervision of trading activity in *retail client* accounts. These policies and procedures must outline actions to deal with problems or issues identified by the review.
- (2) In addition to meeting the *Dealer Member's* general supervisory obligations and any relevant obligations relating to trading, the policies and procedures relating to the

supervision of *retail client* accounts must, where applicable, specifically address the detection of:

- (i) unsuitable trading,
  - (ii) undue concentration of ~~securities, derivatives or precious metals bullion~~ investment products in a single account or across accounts,
  - (iii) excessive trading,
  - (iv) trading in restricted *securities* or transacting in *derivatives* whose underlying interest is a restricted *security*,
  - (v) conflict of interest between *Registered Representative*, *Investment Representative*, *Portfolio Manager* and *Associate Portfolio Manager* and client trading activity,
  - (vi) excessive transaction transfers and trade cancellations indicating possible unauthorized trading,
  - (vii) inappropriate or high risk trading strategies,
  - (viii) deterioration of the quality of client holdings in an account,
  - (ix) excessive or improper crosses of ~~securities, derivatives or precious metals bullion~~ investment products between clients,
  - (x) improper or excessive *employee* trading,
  - (xi) front running,
  - (xii) account number changes,
  - (xiii) late payment,
  - (xiv) outstanding margin calls,
  - (xv) undisclosed short sales,
  - (xvi) *manipulative and deceptive activities*, and
  - (xvii) insider trading.
- (3) The *Dealer Member* must develop policies and procedures that specifically address supervising *retail client* accounts where a commission is not charged for trades placed by or for a client, such as fee based accounts. These policies and procedures must:
- (i) address account activity review *Corporation requirements*, and
  - (ii) use criteria other than commission levels.
- (4) ~~The~~ An Investment *Dealer Member* must specifically designate the following *retail client* accounts for supervision purposes:
- (i) *non-client accounts*,
  - (ii) *discretionary accounts*,
  - (iii) *managed accounts*,
  - (iv) registered accounts, and
  - (v) restricted accounts.
- (5) A Mutual Fund Dealer Member must specifically designate the following retail client accounts for supervision purposes:

- (i) accounts where the client is a Related Person, as defined by the Income Tax Act (Canada), of the Registered Representative and the Registered Representative has full or partial control or authority over the financial affairs of the client,
- (ii) leveraged accounts, and
- (iii) registered accounts.

**3946. Additional supervisory responsibilities**

- (1) In addition to transactional activity, where applicable, the *Dealer Member's* policies and procedures must specifically address identifying, dealing with and informing the appropriate *Supervisors* of other client related matters, including:
  - (i) client complaints,
  - (ii) cash account violations,
  - (iii) transfers of funds and positions between unrelated accounts or between *non-client accounts* and client accounts or deposits from *non-client accounts* to client accounts, and
  - (iv) trading while the account is under margined.

**3947. Supervision of new Registered Representatives and Investment Representatives**

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

**3948. Supervision of suitability determination obligations**

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

**3949. Reserved.**

## PART D – SUPERVISION OF INSTITUTIONAL CLIENT ACCOUNTS

## 3950. Supervisory policies and procedures for institutional client accounts

- (1) A *Dealer Member* that offers *institutional client* accounts must have policies and procedures that specifically address the supervision and review of trading activity in *institutional clients'* accounts. These policies and procedures must outline the actions to deal with problems or issues identified from supervisory reviews.
- (2) In addition to meeting the *Dealer Member's* general supervisory obligations, including any relevant obligations relating to trading in ~~securities, derivatives and precious metals~~ bullion investment products and the policies and procedures relating to the supervision of *institutional client* accounts must specifically address detecting improper or suspicious account activity including:
  - (i) *manipulative and deceptive activities*,
  - (ii) trading in securities on the *Dealer Member's* restricted list,
  - (iii) transacting in *derivatives* whose underlying interest is on the *Dealer Member's* restricted list,
  - (iv) front running by *employee* or proprietary accounts,
  - (v) trading in *securities* that have restrictions on their transfer,
  - (vi) transacting in *derivatives* whose underlying interest has restrictions on their transfer, and
  - (vii) exceeding *derivative* position or exercise limits.

## 3951. Supervision of suitability determination obligations

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

3952. –3954. Reserved.

## PART E – SUPERVISION OF ORDER EXECUTION ONLY ACCOUNTS

## 3955. Supervision of order execution only accounts

- (1) ~~A~~An *Investment* *Dealer Member* that is approved by the *Corporation* to provide *order execution only accounts* within a separate legal entity or within a separate business unit must have policies and procedures in place to:
  - (i) meet the *Investment* *Dealer Member's* general supervisory obligations and any relevant obligations relating to transacting in ~~securities, derivatives and precious metals-bullion~~investment products,
  - (ii) ensure that clients are not provided with recommendations ~~as a result of~~because the client ~~having~~has an account with:
    - (a) a separate legal entity of the *Investment* *Dealer Member*,
    - (b) a separate business unit of the *Investment* *Dealer Member*, or

- (c) the Investment Dealer Member itself, and
- (iii) to review customer trading and accounts for those concerns listed in Rule 3900, other than those relating to the suitability requirements.
- (2) The Investment Dealer Member's, or separate business unit of the Investment Dealer Member, policies and procedures relating to review of client trading must specifically address the risks associated with the method of order entry and the absence of intermediation by employees of the Investment Dealer Member.
- (3) The Investment Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of all supervisory reviews as required in Rule 3900.
- (4) The Investment Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under section 3955.

3956. – 3959. Reserved.

## PART F – SUPERVISION OF DERIVATIVES ACCOUNTS

### 3960. Supervision of derivatives accounts

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

**3961. Responsibility of ~~designated~~ Supervisors for derivatives accounts**

- (1) The ~~designated~~ Supervisors are responsible for:
  - (i) approving new *derivatives* accounts; and  
the derivatives trading agreements signed by the client, and
  - (ii) ensuring that the handling of ~~clients' derivatives account trading~~derivatives accounts complies with *Corporation requirements*.
- (2) The relevant Supervisors must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon and puts the client's interest first. If they are not, the Supervisors should restrict the account from using inappropriate strategies and note on the derivatives account approval any trading restrictions imposed and communicate those restrictions to the Registered Representative, Portfolio Manager or Associate Portfolio Manager assigned to the account.
- (3) The Investment Dealer Member must maintain a record of the relevant Supervisor's approvals in accordance with the record retention requirements in section 3803.

**3962. Supervision of retail derivatives accounts**

- (1) The ~~designated~~ Supervisors for retail *derivatives* accounts are responsible for:
  - (i) reviewing and approving client loss limits when they are set annually or updated, taking into consideration previous losses,
  - (ii) ensuring that all recommendations made for an account are and continue to be suitable for the client; and
  - (iii) ~~put~~putting the client's interest first.
- (2) The Investment Dealer Member must ensure that *Registered Representatives, Investment Representatives, Portfolio Managers and Associate Portfolio Managers* only trade in or advise on those *derivatives* included in their approval category.
- (3) On a daily and monthly basis, the ~~designated~~ Supervisor must review all *derivatives* accounts that are designated as *discretionary accounts* and *managed accounts*.
- (4) The Investment Dealer Member must have *policies* and procedures that specifically address notifying clients of:
  - (i) approaching expiry dates,
  - (ii) significant changes in *derivatives* resulting from changes in the underlying interest,
  - (iii) any changes in the Investment Dealer Member's business policy, and
  - (iv) any new developments in the trading or regulation of *derivatives* that may impact clients.
- (5) The Investment Dealer Member must have policies and procedures that specifically:
  - (i) require the ~~designated~~ Supervisor to approve the solicitation of clients to use *derivatives* programs, as well as clients' actual use of *derivatives*,



- (ii) prevent a client from transacting in *derivatives* without executing a *derivatives* trading agreement with the *Dealer Member*,
- (iii) address the handling of futures contracts, forward contracts and similar *derivatives* with pending delivery months,
- (iv) address detection of *derivatives* trading by a client who is an insider of a reporting issuer or any other issuer whose *securities* are publicly traded to avoid insider trading restrictions,
- (v) prevent a *retail client* from holding contracts for difference or similar *derivatives* positions representing more than 0.5% of the float of a reporting issuer or any other issuer whose *securities* are publicly traded on an intra day or short term basis, and
- (vi) prohibit the offering of contracts for difference or similar *derivatives* to a retail client that confer the right or obligation to acquire or deliver the underlying interest or confer any other rights of shareholders, such as voting rights.

### 3963. Supervision of retail derivatives account trading activity

- (1) In addition to *Corporation requirements* relating to account supervision, the *Investment Dealer Member*'s policies and procedures must specifically address the review of *derivative* transactions to detect the following:
  - (i) excessive intra-day and short-term transactions,
  - (ii) transacting while the account is under-margined,
  - (iii) transacting beyond margin or credit limits,
  - (iv) cumulative losses exceeding approved client loss limits in accounts determined in accordance with clause 3252(1)(vii) and subsection 3252(2),
  - (v) exceeding *derivative* position or exercise limits,
  - (vi) speculative transactions in hedging accounts,
  - (vii) transactions in *derivatives* whose underlying interest is on the *Dealer Member's* restricted list,
  - (viii) transactions in *derivatives* whose underlying interest has restrictions on their transfer,
  - (ix) transacting in *derivatives* to avoid insider trading restrictions,
  - (x) exposures arising out of uncovered *option* positions, and
  - (xi) exposures to delivery obligations through the holding of futures contracts, forward contracts and similar *derivatives* into the delivery month.
- (2) Accounts must be selected for review using criteria that provides reasonable assurance of detecting improper trading activity.

### 3964. Access to Approved Persons qualified in derivatives

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

- (ii) futures contracts, forward contracts, contracts for difference, futures contract options or similar *derivatives*, or
- (iii) all *derivatives*.

3965. – 3969. Reserved.

## PART G – SUPERVISION OF DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS

### 3970. Supervision ~~for~~<sup>of</sup> discretionary accounts

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

### 3971. Responsibility of Supervisors for discretionary accounts

- (1) The Supervisors are responsible for:
  - (i) approving new discretionary accounts and the discretionary account agreement signed by the client, and
  - (ii) ensuring that the handling of discretionary accounts complies with Corporation requirements.
- (2) The Supervisor responsible for discretionary accounts must also review the financial performance of each discretionary account at least monthly.
- (23) As part of the review in subsection ~~3970(1)~~3971(2), the ~~designated~~ Supervisor must also review discretionary accounts to determine if the Registered Representative, authorized to affect trades for the discretionary account should continue to do so, based on the ~~designated~~ Supervisor's assessment of the discretionary account's financial performance.
- (34) The ~~designated~~ Supervisor responsible for discretionary accounts must not delegate the performance of the reviews required in subsections ~~3970(1)~~3971(2) and ~~3970(2)~~3971(3) to any other person.

- (45) ~~A designated~~The Supervisor must review any discretionary order initiated in a *discretionary account* by a *Registered Representative* prior to the order being entered unless:
- (i) the *Registered Representative* has been approved as a *Portfolio Manager*, or
  - (ii) the *Registered Representative* is also an *Executive*, and
  - (iii) the ~~designated~~ Supervisor reviews the order no later than one *business day* after the trade was made.
- (56) ~~A designated~~The Supervisor must review any discretionary order initiated for a *discretionary account* by an *Executive* who is approved as a *Portfolio Manager*, no later than the day after the trade was made.
- (7) The Investment Dealer Member must maintain a record of the relevant Supervisor's approvals in accordance with the record retention requirements in section 3803.

**3971.3972. Supervision of managed accounts**

- (1) ~~A~~An Investment Dealer Member that has *managed accounts* must:
- ~~(i) designate~~appoint a Supervisor to be responsible for the supervision of *managed accounts*,  
and
  - ~~(ii) —~~
- (2) The Investment Dealer Member must appoint one or more alternate Supervisors if necessary to ensure continuous supervision of each relevant managed activities.
- (3) An alternate Supervisor must assume all or part of the Supervisor's responsibilities if:
- (i) the relevant Supervisor is absent or unable to carry out their duties, or
  - (ii) an activity requires additional qualified individuals to supervise the Investment Dealer Member's managed account-related activities.
- (4) The Supervisors must have the qualifications and experience required to supervise the relevant Investment Dealer Member's managed account-related activities.
- (5) The Investment Dealer Member must have policies and procedures that specifically address the supervision and operation of ~~individuals responsible for handling~~ *managed accounts* to provide reasonable assurance of compliance with *Corporation requirements*.
- ~~(26) In addition to meeting the Dealer Member's general supervisory obligations and any relevant obligations relating to trading in securities, derivatives and precious metals bullion, the~~The Investment Dealer Member's policies and procedures dealing with the supervision of *managed accounts* must specifically address:
- (i) identifying when a *Portfolio Manager* or sub-adviser, as described in section 3279, has contravened *managed account* conflict of interest related requirements set out in section 3280, ~~and~~
  - (ii) ensuring fairness in the allocation of investment opportunities among its *managed accounts*, ~~—, and~~
  - ~~(3iii) The Dealer Member's policies and procedures dealing with the supervision of managed accounts must specifically address~~ the direct supervision of any Associate *Portfolio Manager* that provides discretionary management to *managed accounts*, including a

prohibition on the *Associate Portfolio Manager* providing advice unless the advice has been approved by a *Portfolio Manager* at the *Investment Dealer Member* prior to the *Associate Portfolio Manager* providing the advice.

- (47) Supervision of the *Associate Portfolio Manager* must be conducted by:
- (i) a *Portfolio Manager* at the *Investment Dealer Member* or another *Investment Dealer Member* who is authorized to provide discretionary management to *managed accounts* and who is not in the period of close supervision, or
  - (ii) a person registered as an advisor under *securities laws* who has entered into a contract with the *Investment Dealer Member* to provide the supervision.

(8) The *Investment Dealer Member* must identify *managed accounts* in its records to allow supervision of the *managed accounts* in accordance with *Corporation requirements*.

### **3973. Responsibility of Supervisors for managed accounts**

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

### **39723974. Managed account committee**

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

### **39733975. Managed account review**

- (1) In addition to *Corporation requirements* relating to account supervision, the ~~designated~~ *Supervisor* under ~~clause 3970(1)~~(subsection 3972(1)) must review each *managed account* quarterly to provide reasonable assurance that:
- (i) the client's investment objectives are being pursued, and
  - (ii) the handling of each of the *managed accounts* complies with *Corporation requirements*.
- (2) If the investment decisions for a *managed account* are made centrally and apply to a number of *managed accounts*, the quarterly review may be done at an aggregate level,

subject to minor variations to allow for client directed investment restrictions and the timing of client cash flows into the *managed account*.

~~3974~~3976. – 3999. Reserved.

## SERIES 8000 | PROCEDURAL RULES – ENFORCEMENT

### RULE 8400 | RULES OF PRACTICE AND PROCEDURE

---

[...]

#### 8402. Definitions

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

|   |  |
|---|--|
| ...   | ...  |
| “regulatory decision”<br>( <i>décision en matière de réglementation</i> ) | A decision made under sections 9204, 9206- <del>or</del> , 9207, <u>9208</u> or <del>Part B of Rule 4100</del> <u>4136</u> . |
| ...   | ...  |

[...]

#### PART C - REVIEW PROCEEDINGS

#### 8430. Regulatory review hearings

- (1) A party who requests a review of a *regulatory decision* must serve and *file*, within the time specified in *Corporation requirements* relating to the *regulatory decision* and:
- (i) in the case of a decision made under section 9204, 9206-~~or~~, 9207 or 9208, at least 14 days, and
  - (ii) in the case of a decision under ~~Part B of Rule 4100~~section 4136, no more than the number of days specified in ~~Part B of Rule 4100~~section 4136, prior to the date of the *hearing*, a notice of request for review and a review record.

[...]

## SERIES 9000 | PROCEDURAL RULES – OTHER

### RULE 9200 | APPROVALS AND REGULATORY SUPERVISION

#### 9201. Introduction

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

#### 9202. Definitions

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

|   |  |
|---|--|
| “application”<br><u>(demande)</u>   | An application for approval or an exemption under Rule 9200, but does not include a request for a review of a decision on such an application under Rule 9300.   |
| “decision”  | <del>A determination made by the Corporation under Rule 9200.</del>  |
| “Registration Staff”<br><u>(personnel de l’inscription)</u>   | Registration staff of the <i>Corporation</i> .   |
| “regulatory decision”<br><u>(décision en matière de réglementation)</u>                               | <u>A decision made under sections 9204, 9206, 9207 or 9208.</u>  |
| “senior review officer”<br>“Senior Decision Officer”<br><u>(dirigeant responsable de la décision)</u> | A senior officer of the <i>Corporation</i> who has authority <del>to review a decision made by the Corporation under section 9206 in accordance with the procedures set out in section 9209, following an offer of an opportunity to be heard, to render regulatory decisions.</del> |

#### 9203. ~~Corporation Decisions~~Requirements for regulatory decisions

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

- (ii) imposes terms and conditions on an approval, or
  - (iii) suspends or revokes an approval.
- (4) A regulatory decision is effective on the date on which notice of the regulatory decision is provided to the parties, unless:
- (i) the regulatory decision provides otherwise, in which case the regulatory decision is effective on the date so provided, or
  - (ii) unless the regulatory decision is stayed under subsection ~~9209(4)~~9209(2) or by a hearing panel.

#### 9204. Individual approval applications

- (1) An individual may make an application to the Corporation for approval as ~~a:~~
- ~~(i) — Supervisor,~~
  - ~~(ii) — Director or Executive,~~
  - ~~(iii) — Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager,~~
  - ~~(iv) — Chief Financial Officer, Chief Compliance Officer, or Ultimate Designated~~ an Approved ~~Person, or~~
  - ~~(v) — Trader.~~
- (2) The Corporation must approve an application under subsection 9204(1), unless in its opinion:
- (i) the applicant:
    - (a) does not comply with Corporation requirements,
    - (b) is likely not to comply with Corporation requirements, or
    - (c) does not comply with securities laws relating to or is not suitable for approval on the basis of training, experience, solvency or integrity, or
  - (ii) the approval is otherwise not in the public interest.
- (3) The Corporation may approve an application under subsection 9204(1), subject to any terms and conditions it considers appropriate.

#### 9205. Membership approval applications

- (1) Corporation staff shall make a recommendation to the Board to: decide upon an application for Dealer Member Membership in the Corporation made pursuant to section 3.5 of General By-Law No 1.
- ~~(i2)~~ approve ~~The Board shall have the power to decide upon~~ an application for Dealer Member Membership in the Corporation made pursuant to section 3.5 of General By-~~law~~ Law No: 1;
- ~~(ii) — approve the application subject to such terms and conditions as may be considered just and appropriate, or~~
  - ~~(iii) — refuse the application if, in its opinion:~~
    - ~~(a) — the applicant does not comply with one or more Corporation requirements,~~
    - ~~(b) — one or more Corporation requirements will not be complied with by the applicant,~~



- ~~(c) — the applicant is not qualified for approval by reason of integrity, solvency, or experience, or~~
- ~~(d) — such approval is not in the public interest.~~
- (23) Prior to ~~consideration of an application for Dealer Member Membership in the Corporation~~ by the Board making its decision, the applicant shall :
  - (i) be informed that it has an opportunity to be heard by the Board before the Board decides on the ~~application~~ ~~and shall~~.
  - (ii) be given a copy of Corporation staff's recommendation and informed in writing of the reasons for it.
  - ~~(3) — The Board shall have the power to:~~
    - ~~(i) — approve an application for Dealer Member Membership in the Corporation made pursuant to section 3.5 of General By-law No. 1,~~
    - ~~(ii) — approve the application subject to such terms and conditions as may be considered just and appropriate, or~~
    - ~~(iii) — refuse the application if, in its opinion:~~
      - ~~(a) — the applicant does not comply with one or more Corporation requirements,~~
      - ~~(b) — one or more Corporation requirements will not be complied with by the applicant,~~
      - ~~(c) — the applicant is not qualified for approval by reason of integrity, solvency, or experience, or~~
      - ~~(d) — such approval is not in the public interest.~~
  - and
  - (iii) be given a written notice of the decision the Board intends to make and informed in writing of the reason for it, if the Board intends to not follow Corporation staff's recommendation.
- (4) A decision of the Board under subsection ~~9205(3)~~9205(2) is a final decision for which no further review or appeal is provided under Corporation requirements.

#### 9206. Exemption applications for proficiency and continuing education requirements

- (1) An individual or a Dealer Member, with respect to proficiency requirements applicable to its Approved Persons, may apply to the Corporation for an exemption from the proficiency requirements under Rule 2600, or for an extension of or exemption from a continuing education requirement under Rule 2700.
- (2) On an application under subsection 9206(1), the Corporation may grant an exemption or extension in accordance with any standards in the relevant rule, subject to any terms and conditions it considers appropriate.

#### 9207. Continued individual approval

- (1) The Corporation may, in its discretion, impose terms and conditions on the continued approval of an Approved Person to ensure continuing compliance with Corporation requirements.

- (2) The *Corporation* may suspend or revoke the approval of an *Approved Person*, if it appears to the *Corporation* that:
  - (i) the *Approved Person* is not suitable for approval by reason of integrity, solvency, training or experience,
  - (ii) the *Approved Person* has failed to comply with *Corporation requirements*, or
  - (iii) the approval is otherwise not in the public interest.

**9208. Terms and conditions on Dealer Members' Membership**

- (1) The *Corporation* may impose terms and conditions on a *Dealer Member's Membership* in the *Corporation*, where the *Corporation* considers it appropriate to ensure continuing compliance with *Corporation requirements*.
- ~~(2) — The *Corporation* must not impose terms and conditions on a *Membership* in the *Corporation*, unless the *Dealer Member* has been given an opportunity to be heard.~~
- ~~(3) — Notice of a decision imposing terms and conditions under subsection 9208(1) must be given to the *Dealer Member* and must be accompanied by written reasons for the decision.~~

**9209. Review Hearings**

- (1) Within 30 days after the release of a regulatory decision under section 9204, 9207 or 9208, an applicant, *Approved Person* ~~or~~ *Dealer Member* or Registration Staff, respectively, may request a review of the regulatory decision by a *hearing panel* under Rule 9300.
- ~~(2) — An applicant may, within 30 days after the release of a decision under section 9206, request a review of the decision by a senior review officer.~~
- ~~(3) — Registration Staff may, within 30 days after the release of a decision, other than a decision made by Registration Staff, request a review:~~
  - ~~(i) — of a decision under section 9204 or 9207 by a decision under Rule 9300, or~~
  - ~~(ii) — of a decision under section 9206 by a senior review officer.~~
- (4) A request for review ~~of a decision under section 9206~~ by *Registration Staff* of a regulatory decision under section 9206 operates as a stay of the decision.
- ~~(5) — If a review of a decision under section 9206 is requested, the *National Hearing Officer* must, subject to subsection 9209(7), select a senior review officer to review the decision.~~
- ~~(6) — A decision maker who has participated in a decision must not be selected to review the decision.~~
- ~~(7) — On a review of a decision made under section 9206, the senior review officer may:~~
  - ~~(i) — affirm the decision,~~
  - ~~(ii) — quash the decision,~~
  - ~~(iii) — vary or remove any terms and conditions imposed on the applicant, and~~
  - ~~(iv) — make any decision that could have been made by the *Corporation* under section 9206.~~
- ~~(8) — A decision of the senior review officer under subsection 9209(7) is a final decision for which no further review or appeal is provided under *Corporation requirements*.~~

**9210. ~~Review by a securities regulatory authority~~**

- ~~(1) — A party may apply to the securities regulatory authority in the applicable District for a review of a final decision of a senior review officer under Rule 9200.~~
- ~~(2) — A person who is entitled to request a review by a senior review officer under section 9209 of a decision made under section 9206 may not apply to a securities regulatory authority for review of that decision, unless the person has requested a review by a senior review officer and the senior review officer has made a final decision.~~
- ~~(3) — For purposes of subsection 9210(1), Corporation staff is directly affected by a decision in a proceeding in which Corporation staff is a party.~~

**9211**

**9210. – 9299. Reserved.**

## RULE 9300 | REGULATORY REVIEW PROCEEDINGS

### 9301. Introduction

- (1) Rule 9300 sets out the authority of *hearing panels* to review a *decision* under Rule 9200 or ~~an early warning level 2 prohibition under Part B of Rule 4100~~under section 4136.

### 9302. Definitions

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

|  |   |
|--|---|
| <del>“application”</del>   | <del>An application for approval under section 9204.</del>  |
| <del>“approval order”</del>  | <del>An order made under section 9207.</del>  |
| <del>“compliance order”</del>  | <del>An order made under section 9208.</del>  |
| <u>“regulatory decision”</u><br><u>(décision en matière de réglementation)</u> | <del>A determination made by the Corporation or a hearing panel that makes a decision in a review proceeding under Rule 9300.</del> <u>A decision made under sections 9204, 9206, 9207, 9208 or 4136.</u> |
| <del>“early warning review order”</del>  | <del>An order made under Part B of Rule 4100.</del>   |

### 9303. Hearings and decisions

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

### 9304. Review proceedings

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

### 9305. Review by a securities regulatory authority

- (1) A *party* may apply to the *securities regulatory authority* in the applicable *District* for a review of a final decision of a *hearing panel* under Rule 9300.
- (2) A *person* who is entitled to request a review of a regulatory decision under section 9304 may not apply to a *securities regulatory authority* for review of the regulatory decision,

unless the *person* has requested a review by a *hearing panel* and the *hearing panel* has made a final decision.

- (3) For purposes of subsection 9305(1), *Corporation* staff is directly affected by a decision in a proceeding in which *Corporation* staff is a *party*.

**9306. – 9399. Reserved.**

**RULE 9400 | PROCEDURES FOR OPPORTUNITIES TO BE HEARD BEFORE ~~DECISIONS ON~~  
~~APPROVAL AND REGULATORY COMPLIANCE MATTERS~~SENIOR DECISION OFFICERS  
OR THE BOARD**

---

**9401. Introduction**

- (1) These procedures apply where *Corporation requirements* require an opportunity to be heard before:
  - (i) ~~Corporation staff,~~
  - (ii) a ~~senior decision officer~~Senior Decision Officer who has the authority to make a decision concerning an *individual* or a *Dealer Member*, or
  - (iii) the *Board* concerning an application for *Dealer Member Membership* in the *Corporation*.
- (2) These procedures will be followed where, under statutory authority that has been delegated to the *Corporation*, the *Corporation* makes a registration decision for which an opportunity to be heard is required under *securities laws*.
- (3) Rule 9400 is divided into the following parts:
 

Part A - Opportunities to be heard by a ~~senior decision officer~~Senior Decision Officer  
 [sections 9403 through 9410]

Part B - Opportunities to be heard by the Board  
 [sections 9411 through 9417]

**9402. Definitions**

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

|   |   |
|---|---|
| <del>“decision maker”</del>   | <del>Corporation staff with authority to make a decision in a hearing under Rule 9200.</del>  |
| “Registration <u>or Compliance Staff</u> ”<br><u>(personnel de l’inscription ou de la conformité)</u>                     | Refers to registration employees of the <i>Corporation</i> and employees of <i>Corporation</i> who conduct compliance examinations under Rule 9100.   |
| <u>“regulatory decision”</u><br><u>(décision en matière de réglementation)</u>  | <u>A decision made under sections 9204, 9206, 9207 or 9208.</u>   |
| <del>“senior decision officer”</del><br><u>“Senior Decision Officer”</u><br><u>(dirigeant responsable de la décision)</u> | A senior officer of the <i>Corporation</i> who has authority <del>to make a decision to impose terms and conditions on a Dealer Member’s Membership in the Corporation under section 9208,</del> <u>following an offer of an opportunity to be heard, to render regulatory decisions.</u> |

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

**9403. Opportunities to be heard by a ~~senior decision officer~~Senior Decision Officer**

- (1) The procedures in sections 9404 through 9410 apply where an applicant ~~has~~ Approved Person or Dealer Member requested an opportunity to be heard by a ~~senior decision officer pursuant to subsection 9208(2) or by the Corporation~~ Senior Decision Officer pursuant to subsection 9203(2).
- (2) These procedures are intended to ensure that opportunities to be heard by a ~~decision maker~~ Senior Decision Officer are handled in a way that ensures a fair *hearing*, without being unnecessarily formal.

#### 9404. Counsel

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

#### 9405. Corporation Staff Notice

- (1) ~~If~~ When required to do so pursuant to subsection 9203(3), *Registration Staff* ~~recommends refusing to grant, revoking, or suspending a Corporation approval or that terms and conditions be imposed on an approval or Membership, Registration~~ or Compliance Staff must send a letter to the applicant, *Approved Person* or *Dealer Member*, giving notice of *Registration or Compliance Staff's* recommendation and brief reasons for it.

#### 9406. Response of applicant, Approved Person or Dealer Member

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

#### 9407. Choice of written submissions or appearance

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

request before the ~~decision-maker~~Senior Decision Officer decides whether to grant a request for an appearance.

- (3) A ~~decision-maker~~Senior Decision Officer may also decide on its own initiative that the opportunity to be heard will be conducted as an appearance, in which case the ~~decision-maker~~Senior Decision Officer must promptly inform the *parties* of its decision.

#### 9408. Exchange of written submissions

- (1) This section describes the process to be followed if the opportunity to be heard is conducted by exchange of written submissions.
- (2) *Registration* or Compliance Staff must provide the applicant, *Approved Person* or *Dealer Member* with a written submission setting out the facts and law supporting *Registration* Staff's recommendation. *Registration* or Compliance Staff's submission must be delivered to the applicant, *Approved Person* or *Dealer Member* within 10 *business days* after *Registration* or Compliance Staff receives the applicant's, *Approved Person's* or *Dealer Member's* response (as defined in section 9406).
- (3) An applicant, *Approved Person* or *Dealer Member* must then provide *Registration* Staff with a written submission responding to *Registration* or Compliance Staff's submission, to be delivered within 10 *business days* after the applicant, *Approved Person*, or *Dealer Member* receives *Registration* or Compliance Staff's submission.
- (4) Subject to agreement of the *parties* or a decision of the ~~decision-maker~~Senior Decision Officer, there will only be one exchange of written submissions so that the ~~decision-maker~~Senior Decision Officer may render a decision without unnecessary delay; however, where the *parties* agree to make further submissions or either of them requests that the ~~decision-maker~~Senior Decision Officer allow further submissions, such agreement or request must be made within five *business days* after delivery of the applicant's, *Approved Person's* or *Dealer Member's* submission under subsection 9408(3).
- (5) Unless an agreement or request is made under subsection 9408(4), *Registration* or Compliance Staff's and the applicant's, *Approved Person's* or *Dealer Member's* respective submission will be delivered by *Registration* or Compliance Staff to the ~~decision-maker~~Senior Decision Officer within five *business days* after the applicant's, *Approved Person's* or *Dealer Member's* submission is delivered.
- (6) If an agreement or request is made under subsection 9408(4), the submissions of all *parties* will be delivered by *Registration* or Compliance Staff to the ~~decision-maker~~Senior Decision Officer when all submissions have been delivered or the time for their delivery has elapsed.

#### 9409. Appearance before a ~~decision-maker~~Senior Decision Officer

- (1) This section describes the process to be followed if the opportunity to be heard is conducted as an appearance.
- (2) An appearance before a ~~decision-maker~~Senior Decision Officer will generally be an informal proceeding, and the *Rules of Procedure* do not apply.
- (3) At an appearance:



- (i) the ~~decision-maker~~Senior Decision Officer may ask any question and admit any evidence it thinks fit,
- (ii) witnesses may be called, examined and cross-examined with the consent of the ~~decision-maker~~Senior Decision Officer, and
- (iii) the applicant, *Approved Person* or *Dealer Member* and any witnesses may be required to give evidence under oath or affirmation.

#### 9410. Decisions

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

### PART B - OPPORTUNITIES TO BE HEARD BY THE BOARD

#### 9411. Opportunities to be heard by the Board

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

#### 9412. Corporation Staff Notice

- (1) ~~If~~When required to do so pursuant to clause 9205(3)(ii), *Corporation* staff ~~recommends that the Board refuse to grant Membership in the Corporation, or that terms and conditions be imposed on Membership in the Corporation,~~ *Corporation* staff must send a letter to the applicant, giving notice of *Corporation* staff's recommendation and brief reasons for it.
- (2) When required to do so pursuant to clause 9205(3)(iii), Corporation staff must send a letter to the applicant, giving notice of the Board's intended decision and brief reasons for it.

#### 9413. Response of applicant, Approved Person or Dealer Member

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

#### 9414. Choice of written submissions or appearance

- (1) An opportunity to be heard will be conducted as an exchange of written submissions, unless an applicant or *Corporation* staff requests that the opportunity to be heard be conducted as an appearance:

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

#### **9415. Exchange of written submissions**

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

#### **9416. Appearance before the Board**

- (1) This section describes the process to be followed if the opportunity to be heard is conducted as an appearance.

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

**9417. Decisions**

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

**9418. – 9499. Reserved.**

