

IIROC NOTICE

Rules Notice Technical UMIR

Please distribute internally to:

Institutional
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Gatekeeper and Notice Requirements For Direct Electronic Access and Routing Arrangements

Executive Summary

On March 1, 2014, amendments to UMIR come into effect respecting third-party electronic access to marketplaces (“Amendments”).¹ The Amendments, among other things:

- introduce a requirement for a Participant to notify IIROC when entering into a written agreement for direct electronic access (“DEA”) or a routing arrangement; and
- expand a Participant’s gatekeeper reporting obligations to include details related to DEA and routing arrangements.

Participants are expected to notify IIROC of all DEA and routing arrangement agreements they have entered into by March 1, 2014. This Notice responds to questions on the procedures for providing notice and gatekeeper reporting to IIROC to comply with the Amendments.

¹ See IIROC Notice 13-0184 – Rules Notice – Notice of Approval – UMIR and Dealer Member Rules – *Provisions Respecting Third-Party Electronic Access to Marketplaces* (July 4, 2013) and IIROC Notice 13-0185 – Rules Notice – Guidance Note - UMIR – *Guidance Respecting Third-Party Electronic Access to Marketplaces* (July 4, 2013).



Background

The Amendments include requirements for Participants that provide DEA or enter a routing arrangement to establish:

- standards to manage the attendant risks;
- a written agreement between the Participant and the client, investment dealer or foreign dealer equivalent to which it will provide access; and
- gatekeeper procedures for reporting to IIROC non-compliance by the client, investment dealer or foreign dealer equivalent with the standards or written agreement.

In particular, effective March 1, 2014:

- Rule 7.13(6) provides that a Participant shall forthwith notify the Market Regulator:
 - (a) upon entering into a written agreement respecting DEA or a routing arrangement, of the name of the client, investment dealer or foreign dealer equivalent; and
 - (b) of any change in the information described in clause (a);

and

- Rule 10.18(2) provides that:
 - A Participant that has provided access to a marketplace pursuant to DEA or through a routing arrangement shall forthwith report to the Market Regulator the fact that the Participant:
 - (a) has terminated the access of the client under the arrangement for DEA or of the investment dealer or foreign dealer equivalent through a routing arrangement; or
 - (b) knows or has reason to believe that the client, investment dealer or foreign dealer equivalent has or may have breached a material provision of:
 - (i) any standard established by the Participant for the granting of DEA or a routing arrangement, or
 - (ii) the written agreement between the Participant and the client regarding the DEA, or the investment dealer or foreign dealer equivalent regarding a routing arrangement.

Notification to IIROC when a Participant entered into an electronic access arrangement had previously been limited to provision of the unique identifier for the direct market access (“DMA”) client as designated by the marketplace on which the order would be entered,



together with the name of the client to IIROC. ***At this time, IIROC is continuing the practice used for DMA clients such that unique identifiers (as designated by the marketplace on which the order is entered) will be included in the “User ID” field.*** Under Rule 7.13(6), this practice will be used for DEA and has been expanded to include investment dealers and foreign dealer equivalents in routing arrangements².

Questions and Answers

The following are specific questions respecting the notice and gatekeeping requirements in the Amendments and IIROC’s response to each question.

A. Rule 7.13(6): Notification of DEA or Routing Arrangement

1. Who is responsible to notify IIROC of a DEA or Routing Arrangement?

The Participant that has entered into a DEA or routing arrangement with a third-party is responsible to notify IIROC.

2. By what means should notice be provided?

Notice should be provided by email to ETRReporting@iiroc.ca using IIROC’s secure email system, EMX.³

3. What information is required in the notice email?

The Participant should identify for each third-party electronic access agreement it has entered into:

- the legal name of the client, investment dealer or foreign dealer equivalent as it appears in the written agreement; and
- the unique identifier(s) for the client, investment dealer or foreign dealer equivalent.

The template for the email notice is attached as Appendix A and is available on the IIROC website under the heading “Regulatory Reporting” and sub-heading “DEA

² The Amendments require the assignment of a unique identifier to the DEA client, investment dealer or foreign dealer equivalent under Rule 10.15 of UMIR. Pursuant to Rule 6.2 of UMIR, the identifier of the DEA client, investment dealer or foreign dealer equivalent is required to be contained on each order entered on a marketplace through DEA or a routing arrangement.

³ For information about EMX, please refer to IIROC Notice 13-0045 - Rules Notice - Technical - UMIR - *Requirements for Secure Electronic Regulatory Communication* (February 7, 2013).



and Routing Arrangement Notice Form”. This should be provided to IIROC in Excel format.

4. *IIROC has granted Participants a transition period to replace or amend existing DMA agreements until September 1, 2014. When does notice of third-party electronic access agreements have to be provided to IIROC?*

Participants must notify IIROC of all third-party electronic access agreements they have entered into, with the information set out in question 3 above, by March 1, 2014. The notice requirement is independent of the transition period provided for the purpose of bringing existing access agreements into compliance with the Amendments.

5. *When must a Participant send IIROC a notice email about a change of information concerning a third-party?*

Effective March 1, 2014, a Participant must notify IIROC immediately in the event of any of the following changes concerning a third-party with which a Participant entered an electronic access agreement:

- details of a legal name change for the client, investment dealer or foreign dealer equivalent as it appears in the written agreement;
- details of changes to the unique identifier(s) for the client, investment dealer or foreign dealer equivalent; and
- termination of a third-party’s electronic access.

The template for the email notice is attached as Appendix A and is available on the IIROC website under the heading “Regulatory Reporting” and sub-heading “DEA and Routing Arrangement Notice Form”. This should be provided to IIROC in Excel format.

B. Rule 10.18: Gatekeeper Reporting

6. *When must a gatekeeper report be submitted to IIROC by a Participant under Rule 10.18?*

A Participant should submit a gatekeeper report immediately to IIROC when a Participant has knowledge of or reason to believe that there has or may have been a



breach of a material provision of a standard established under Rule 7.13 or the agreement entered into under Rule 7.13.

7. *How does a Participant provide a gatekeeper report to IIROC respecting DEA or a routing arrangement?*

IIROC's existing gatekeeper reporting facility should be used. A new reporting category for third-party electronic access has been included on the secure web-based form available on the IIROC website.

