

IIROC NOTICE

Rules Notice Request for Comments

Dealer Member Rules

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14-0009
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Clearing arrangements

Notice of issuance of final guidance note and summary response to comments received

Final guidance note issued

On October 22, 2012, the Investment Industry Regulatory Organization of Canada (“IIROC”) issued a draft Guidance Note for public comment¹ setting out guidance regarding clearing arrangements.

[Guidance Note 14-0010](#) has been amended to address public comments received and is being issued in final form today.

The next section of this notice sets out IIROC’s summary response to public comments received on this draft Guidance Note.

Summary response to comments received

This summary responds to the three comment letters received on the draft clearing arrangements guidance note that was published for comment on October 22, 2012. We have considered the comments received and we thank all the commenters for their submissions. The comments specific to the draft guidance note have been summarized and categorized by major comment themes. Our response to each comment is set out at the end of each section of categorized comments.

¹ Rules Notice 12-0312, “Request for comments on draft guidance regarding clearing arrangements”



Intention of guidance

- One commenter asked for confirmation that there was no intent to create new requirements with respect to clearing arrangements for Dealer Members

IIROC Response

We can confirm that the sole purpose of issuing the guidance was to clarify that clearing arrangements, as defined in the notice, are not subject to the rule requirements set out in Dealer Member Rule 35 that apply to the four types of introducing broker / carrying broker arrangements.

Support for rule interpretation set out in the guidance

- All three commenters support IIROC’s proposed rule interpretation that a clearing arrangement, as described in the Guidance Note, is not a type of introducing broker / carrying broker arrangement therefore, entering into a clearing arrangement does not require compliance with the requirements set out in IIROC Dealer Member Rule 35.

IIROC Response

No response required.

Request for further clarification

- One commenter asked for clarification on the impact this guidance has, if any, on other back office sharing arrangements, including omnibus arrangements
- Two commenters asked for clarification on the scope of clearing arrangements that are permissible under IIROC rules without being subject to the specific requirements set out in Dealer Member Rule 35

IIROC Response

There was no intention to apply this guidance to any back office sharing arrangement, other than a clearing arrangement. To make this intent clearer, we have added language at the beginning of the guidance note that explains that current IIROC Dealer Member Rules only focus on certain client asset custody situations and do not apply to omnibus account and other similar account arrangements.

To clarify the scope of clearing arrangements that are not subject to specific IIROC Dealer Member Rule requirements, we have revised section 5 of the final guidance note to make it clear that there are no specific IIROC Dealer Member Rule requirements that apply to any type of clearing arrangement. Further, the “Practical Considerations” subsection of section 5 has been revised to provide guidance on managing the increased risk and/or disclosure obligations associated with clearing arrangements entered into with dealers that do not qualify as “regulated entity” dealers and/or that involve clients other than Institutional Customers.

