

IIROC NOTICE

Rules Notice Notice of Withdrawal Dealer Member Rules

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Withdrawal of proposed amendments to Dealer Member Rule section 6.6 and corollary amendments to section 1.1 and subsection 16.2(iv) relating to the cross-guarantee requirement

Overview

On November 6, 2014, the Investment Industry Regulatory Organization of Canada (“IIROC”) published for comment proposed amendments to the cross-guarantee requirements under IIROC Dealer Member Rule section 6.6 and corollary amendments.¹

The primary objective of the proposed amendments was to ensure that the rule focuses on those situations where the “fairness” of who pays for the insolvency of a commonly owned Dealer member is a concern—specifically, to focus on those situations where two or more Dealer Members, directly or indirectly, have the same controlling shareholder. To achieve this objective, IIROC staff proposed to revise the minimum common ownership and board of directors membership percentages that trigger the cross-guarantee requirement from their current level of “at least 20%” to “greater than 50%”.

¹ IIROC Rules Notice [14-0257](#), Proposed amendment to Dealer Member Rule section 6.6 and corollary amendments to section 1.1 and subsection 16.2(iv) relating to the cross-guarantee requirement.



While acknowledging that significant influence over a Dealer Member does not always occur when there is common ownership above a 20% threshold, commenters expressed concern that the proposed threshold increase was too high for determining common ownership as, in some cases, significant influence over those Dealer Members could occur between a 20% to 50% common ownership threshold.

After consideration of the comments received, IIROC staff is withdrawing the proposed amendments set out in Notice 14-0257 on the basis that the policy objective of the proposed amendments would be better served at this time on a case-by-case assessment.

Withdrawal

IIROC has informed the Canadian Securities Administrators that it has withdrawn the proposed amendments to Dealer Member Rule section 6.6 and corollary amendments to section 1.1 and subsection 16.2(iv) relating to the cross-guarantee requirement.

Questions may be referred to:

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