

IIROC NOTICE

Rules Notice Exemptions

Dealer Member Rules

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Exemptions to Allow Dealer Members to Accept and Enter Orders on the Montréal Exchange during Extended Trading Hours

Board authority to grant exemptions

Dealer Member Rule 17.15 permits the IIROC Board of Directors to exempt a Dealer Member from any provision of the Dealer Member Rules where it is satisfied that to do so would not be prejudicial to the interests of Dealer Members, their clients or the public. In granting an exemption, the Board may impose such terms and conditions as are considered necessary.

Exemptions granted and conditions

At its meeting of September 26th, the Board granted relief to 5 Dealer Members to permit individuals identified by those Dealer Members and located in the offices of their identified foreign affiliates to accept and enter orders on the Montréal Exchange (“MX”) from clients of the Dealer Members during the period of 2 am to 6 am Eastern Standard Time (“extended trading hours”). Accordingly, with respect to such designated individuals, the Dealer Members are exempt from the following requirements:

- a) to register in order to conduct activity as an Investment Representative or Registered Representative under Dealer Member Rule 18.2;



- b) to enter into an employee or agent relationship with the applicant as prescribed under Dealer Member Rule 39.3; and
- c) to register and complete proficiencies of a Trader under Dealer Member Rule 500

The exemptions are subject to the applicants receiving exemptions from registration by relevant securities regulators under National Instrument 31-103 paragraph 2.1(1)(a) in respect of the relevant individuals who would otherwise require registration as a Dealing Representative. The exemptions are also subject to several additional conditions including:

- the foreign affiliate employee must be registered / licensed and subject to equivalent regulatory supervision in the jurisdiction where the foreign affiliate of the Canadian Dealer Member is located
- this relief is only available where the foreign affiliate is located in the United States, the United Kingdom or Australia, or in respect of any other jurisdiction where the appropriate analysis demonstrating equivalency is provided to IIROC and acceptable to the VP Registration
- the foreign affiliate employee may only accept and enter orders from clients of the Canadian Dealer Member, or orders from the Canadian Dealer Member on a proprietary basis, during the extended trading hours, and is not permitted to provide advice
- the actions of the foreign affiliate employee must be supervised by a Canadian based registered Supervisor qualified to supervise the relevant trading (for example futures contracts, futures contract options and, where applicable, options)
- the Canadian Dealer Member must establish and maintain written policies and procedures that address the performance and supervision requirements relating to this arrangement
- the Canadian Dealer Member and its foreign affiliate jointly and severally undertake to ensure IIROC has, upon request, prompt access to the audit trail of all trades, wherever located, that relate to such activities at the foreign affiliate, and records evidencing the supervision of those activities
- the Canadian Dealer Member retains all responsibilities for its client accounts
- the foreign affiliate employee must enter into an agency arrangement with the Canadian Dealer Member, such that:
 - the Canadian Dealer Member would assume all responsibility for the actions of the foreign affiliate employee (and the foreign affiliate) that relate to its clients
 - the Canadian Dealer Member would be liable under IIROC rules for such acts
- all MX trading rules apply to orders entered by the foreign affiliate employee
- all other existing Canadian regulatory requirements continue to apply, including:



- all Canadian Dealer Member client accounts would continue to be carried on the books of the Canadian Dealer Member
- all communications with Canadian Dealer Member clients would continue to be in the name of the Canadian Dealer Member
- all Canadian Dealer Member client account monies, security and property would continue to be held by the Canadian Dealer Member
- the Canadian Dealer Member must disclose this arrangement to clients and provide specific instructions concerning the placement of orders pursuant to the arrangement
- the Canadian Dealer Member must provide, in writing to IIROC, the names of the foreign affiliate(s) and all foreign affiliate employees authorised to accept and enter orders from clients on behalf of the Canadian Dealer Member under the arrangement. Such individuals are subject to IIROC's 'fit and proper' review and IIROC Registration staff may refuse their participation in this arrangement.
- the Canadian Dealer Member must provide, in writing to IIROC, timely updates to the list of foreign affiliate employees, and confirm any changes on at least an annual basis.
- the Canadian Dealer Member must acknowledge in writing to IIROC that they accept these terms and conditions
- this exemption does not alter the requirement that any foreign affiliate doing business with Canadian clients on its own behalf must be registered with the applicable securities commissions in the appropriate category or be exempt from registration.

The exemption is also subject to IIROC's right to refuse to exempt certain individuals at any time, based on a fit and proper assessment conducted by IIROC Registration staff.

The relief does not apply to individuals who enter orders outside of the MX extended trading hours.

Rationale

The Board determined that this exemption is not prejudicial to the interests of Dealer Members, their clients or the public.

Access to extended trading hours is of potential benefit to clients. In terms of mitigating potential risks, the entry of orders during the MX extended trading hours will be subject to supervision, and the Dealer Members will retain all responsibility for the relevant client accounts, including responsibility for the relevant activities under IIROC rules. The Dealer Members will be required to disclose the arrangements to clients.



IIROC will rely on the supervisory structure and processes required in the conditions, as well as ongoing IIROC access to the audit trail of trades related to the activities of the foreign affiliates to ensure that IIROC's ability to regulate the relevant Dealer Members is not negatively impacted.

Dealer Members seeking similar relief should contact IIROC at exemptions@iroc.ca or dispenses@iroc.ca.